

What the Seaway means to business

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BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

FIFTY CENTS

APRIL 11, 1959



James A. Ryder's policy for Ryder System Inc.: Anything for rent to industry. (Finance)

E B POWER
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How to hit what you can't see

Might as well try to hit big-league pitching in a blackout as to set out to whack a nematode. For nematodes are no larger than these dots . . . and live unseen in the soil. But while you don't see these microscopic parasites, it's only too easy to spot the damage they cause.

Striking at the roots of cotton or tomatoes, strawberries or potatoes, or just about any plant that grows, nematodes sap the vigor of the crop and many times completely destroy it. To help growers hit back at these tiny worms, Shell Chemical developed Nemagon® Soil Fumigant. Applied to the soil, this remarkable nematocide changes to a gas . . . penetrates the earth with a vaporous barrage no nematode can escape. Yet it is harmless to most living plants.

Developing soil fumigants that enable farmers to protect their crops is one more way Shell Chemical, with its pesticides and fertilizers, safeguards the roots of a land of plenty.

Shell Chemical Corporation

Chemical Partner of Industry and Agriculture

NEW YORK



GENERAL BUSINESS

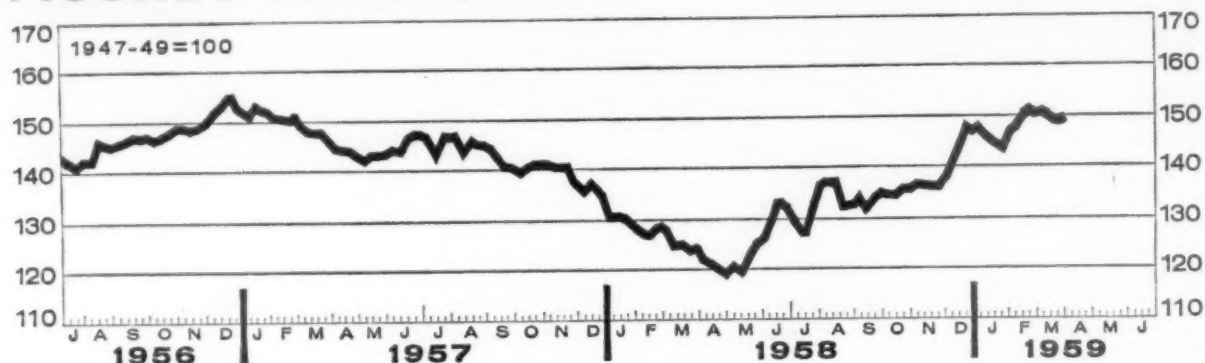
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BUSINESS WEEK INDEX (chart)

1946 Average	Year Ago	Month Ago	Week Ago	% Latest Week
91.6	122.5	151.3	†149.9	*150.2

PRODUCTION

Steel ingot (thous. of tons).....	1,281	1,308	2,604	†2,638	2,638
Automobiles and trucks.....	62,880	87,870	166,507	†155,171	169,246
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$17,083	\$66,901	\$68,661	\$60,818	\$64,886
Electric power (millions of kilowatt-hours).....	4,238	11,326	12,945	12,709	12,618
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	6,250	7,213	7,193	7,129
Bituminous coal (daily av., thous. of tons).....	1,745	1,215	1,373	†1,323	1,302
Paperboard (tons).....	167,269	279,404	315,717	318,345	295,358

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	82	54	59	62	63
Carloadings: all others (daily av., thous. of cars).....	53	35	40	38	38
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	122	118	137	141
Business failures (Dun & Bradstreet, number).....	22	352	288	297	284

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	394.8	386.6	390.8	390.6
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	80.8	89.1	91.1	91.1
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	90.2	79.2	80.9	80.8
Print cloth (spot and nearby, yd.).....	17.5¢	17.2¢	18.5¢	18.6¢	18.6¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	181.6	186.8	186.7	186.7
Scrap steel composite (Iron Age, ton).....	\$20.27	\$34.00	\$41.17	\$37.83	\$36.50
Copper (electrolytic, delivered price, E & MJ, lb.).....	14.045¢	24.870¢	30.985¢	31.815¢	31.870¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.30	\$2.02	\$2.09	\$2.10
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	34.55¢	34.26¢	34.47¢	34.50¢
Wool tops (Boston, lb.).....	\$1.51	\$1.65	\$1.62	\$1.65	\$1.69

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	41.52	56.29	55.59	56.35
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	4.67%	4.87%	4.83%	4.84%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	¾-1%	2¼%	3¼%	3¾%	3¾%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	54,119	56,206	56,628	55,889
Total loans and investments, reporting member banks.....	††71,916	89,541	93,790	93,631	95,522
Commercial and agricultural loans, reporting member banks.....	††9,299	30,842	30,301	31,170	31,172
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	28,113	30,627	29,365	30,543
Total federal reserve credit outstanding.....	23,888	24,586	26,892	27,123	27,151

MONTHLY FIGURES OF THE WEEK

	1946 Average	Year Ago	Month Ago	Latest Month
Consumer credit outstanding (in millions)..... February.....	\$6,704	\$43,017	\$44,415	\$44,071
Installment credit outstanding (in millions)..... February.....	\$3,174	\$33,278	\$33,768	\$33,751
Private expenditures for new construction (in millions)..... March.....	\$803	\$2,410	\$2,500	\$2,698
Public expenditures for new construction (in millions)..... March.....	\$197	\$932	\$975	\$1,094
Wholesalers' inventories (seasonally adjusted, in billions)..... February.....	\$5.5	\$12.5	\$11.9	\$11.9
Retailers' inventories (seasonally adjusted, in billions)..... February.....	\$9.8	\$24.3	\$24.2	\$24.2

* Preliminary, week ended April 4, 1959.
† Revised.

†† Estimate.
** Ten designated markets, middling 1½ in.

‡ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Filp Schulke; 25—(top lt., cen. lt. & cen. rt.) Herb Kratochvil, (top rt., bot. lt., bot. rt.) Grant Compton; 26—(top) Herb Kratochvil, (cen. & bot.) Grant Compton; 30, 31—Grant Compton; 34—John Coneen; 50, 51, 52—Herb Kratochvil; 58—Wolcott & Associates, Inc.; 61—McGraw-Hill World News; 62, 66, 68, 70—Bettman Archive; 72—Westinghouse Electric Corp.; 79—Pemex; 88, 89—Filp Schulke; 98, 99—Jack Fuller & Ed Malsberg; 124—W.W.; 140, 141, 142—Mike Shea.

B.F. Goodrich



The black stuff that rubbed holes in steel

THAT dark stuff is a mixture of needle-sharp bits of hard coal and acid water. The coal particles are so rough and the acid so strong that steel chutes wore out in only six months.

When a B.F. Goodrich distributor heard of the problem, he recommended that the chute be lined with a special kind of B.F. Goodrich sheet rubber called Armorite. It's made of rubber especially compounded to stand terrific abrasion and resist most acids. The rubber used in Armorite is so

tough it's even used in some places to handle broken glass.

When the picture above was taken, the B.F. Goodrich Armorite lining had already lasted three years and still looked good for several more years of service. Company officials say that it has cut down maintenance costs, eliminated costly twice-a-year chute replacements that caused the plant to shut down, lose production time.

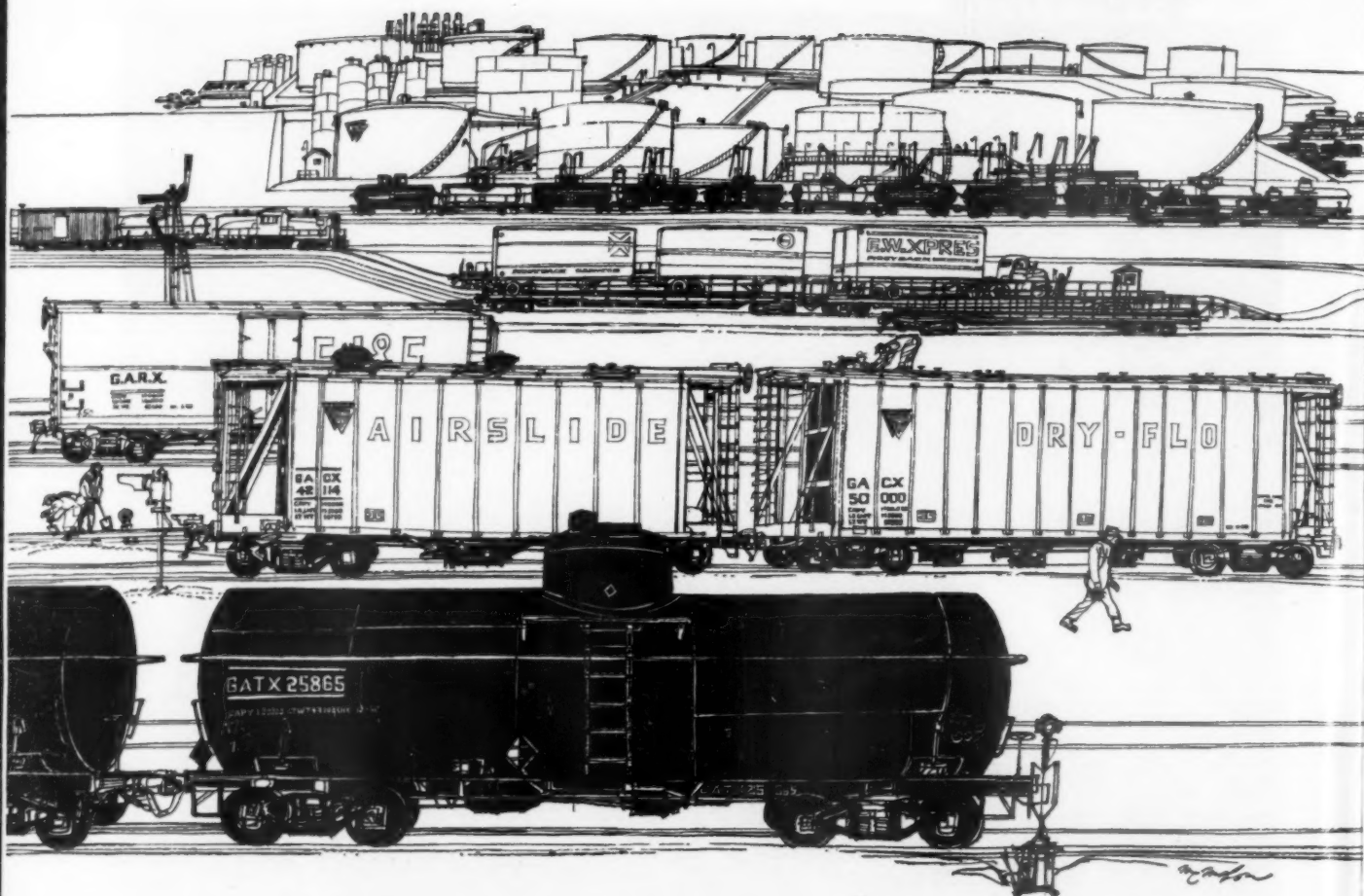
B.F. Goodrich Armorite can also be used in dozens of other ways—as a

curtain, throw mat or pad for protection against abrasives. It often lasts 10 times longer than steel; eliminating frequent, costly replacements of abrasion-worn metal parts.

Your B.F. Goodrich distributor has full information on Armorite. And, as a factory-trained specialist in rubber products, he can answer your questions about *all* the rubber products B.F. Goodrich makes for industry. *B.F. Goodrich Industrial Products Company, Dept. M-577, Akron 18, Ohio.*

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for Industry*



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MORE TANK STORAGE TERMINALS—Six terminals in five strategically-located markets provide liquid storage with a capacity of 657,300,000 gallons.

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BUSINESS WEEK • Apr. 11, 1959

READERS REPORT

No Reactionary

Dear Sir:

I was deeply impressed with the piece in your labor section [BW—Mar.21'59,p116] relating to public employees. . . .

. . . However . . . there was evidently a mix-up which resulted in a quote by me which is very unfair to a thoroughly decent man, Carl Holderman. He is presently Commissioner of Labor and Industry of the State of New Jersey. . . . I am quoted as saying that "the toughest reactionary I have ever had to deal with is New Jersey's Commissioner of Labor, Carl Holderman."

He is not reactionary but he happens to be Commissioner of Labor in a state which is among the most reactionary you will encounter in the whole United States regarding public employees. I pointed out it was reactionary in spite of the fact that it had a Commissioner of Labor of the progressive caliber of Carl Holderman. . . .

JERRY WURF

REGIONAL DIRECTOR

DISTRICT COUNCIL 37

AMERICAN FEDERATION OF STATE,
COUNTY & MUNICIPAL EMPLOYEES
NEW YORK, N. Y.

Oil Imports

Dear Sir:

Congratulations on your concise and objective review of oil import restrictions as presented in the well-written article How Oil Import Curbs Will Hit Industry [BW—Mar.21'59,p30].

Your reference to Tidewater's position, however, needs some clarification. Your article inferred that the cut-back in crude oil imports will prevent us from operating our new Delaware refinery at capacity and that our "\$50-million investment in the facilities will suffer."

The modern Delaware refinery figure applies only to facilities built specifically to process Middle-East crude oil. The import curbs will undoubtedly affect our ability to operate these specific facilities at full capacity. We can still operate our refinery at full rate, only now we must use less imported and more domestic crude oil. . . .

J. G. JIMENEZ

VICE-PRES. & GEN. MGR.
TIDEWATER OIL CO.
NEW YORK, N. Y.



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HENRY Z. STEINWAY, PRESIDENT, STEINWAY & SONS, PHOTOGRAPHED BY KARSH

Hits right note with telegrams: Henry Z. Steinway builds good will and sales by confirming dealer orders by Western Union Telegrams. And the telegram is a written record . . . no mistake about it!

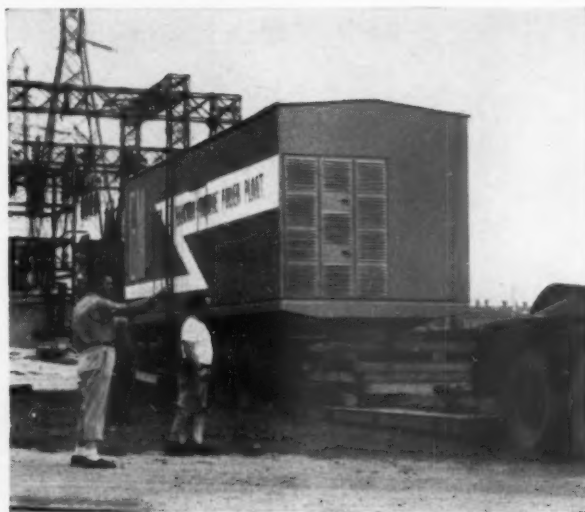
**WESTERN
UNION**

6000 KW PEAKING PLANT



FIRST DAY

First of three self-housed generators is placed on flat-bed trailer or rail car at Electro-Motive Plant. Unit is then hauled to installation site.



THIRD DAY

First generator arrives at site. Previously, underground fuel tanks, lines, cables were installed, ground leveled and stone fill added. Ties were then placed on fill to form foundations for plant components.



SIXTH DAY

Third generator arrives at site. Controls component and second generator were installed day before. "Package" design of all components permits easy handling with winch and jacks.



EIGHTH DAY

Adjustment and inspection. Performance tests on individual components begin. On ninth day, plant is checked out under actual load conditions, integrated into system operations. Safety fence completed.

T ON THE LINE IN TEN DAYS



TENTH DAY

6000 KW of new peaking and reserve power is put on the line. Landscaping was added later to complete site. Plant operates completely unattended, comes up to full load from dead start in less than ninety seconds. Entire plant could be moved to new site in same ten-day period, if changing load characteristics require such a move. For complete details, contact your Electro-Motive representative.

ELECTRO-MOTIVE DIVISION

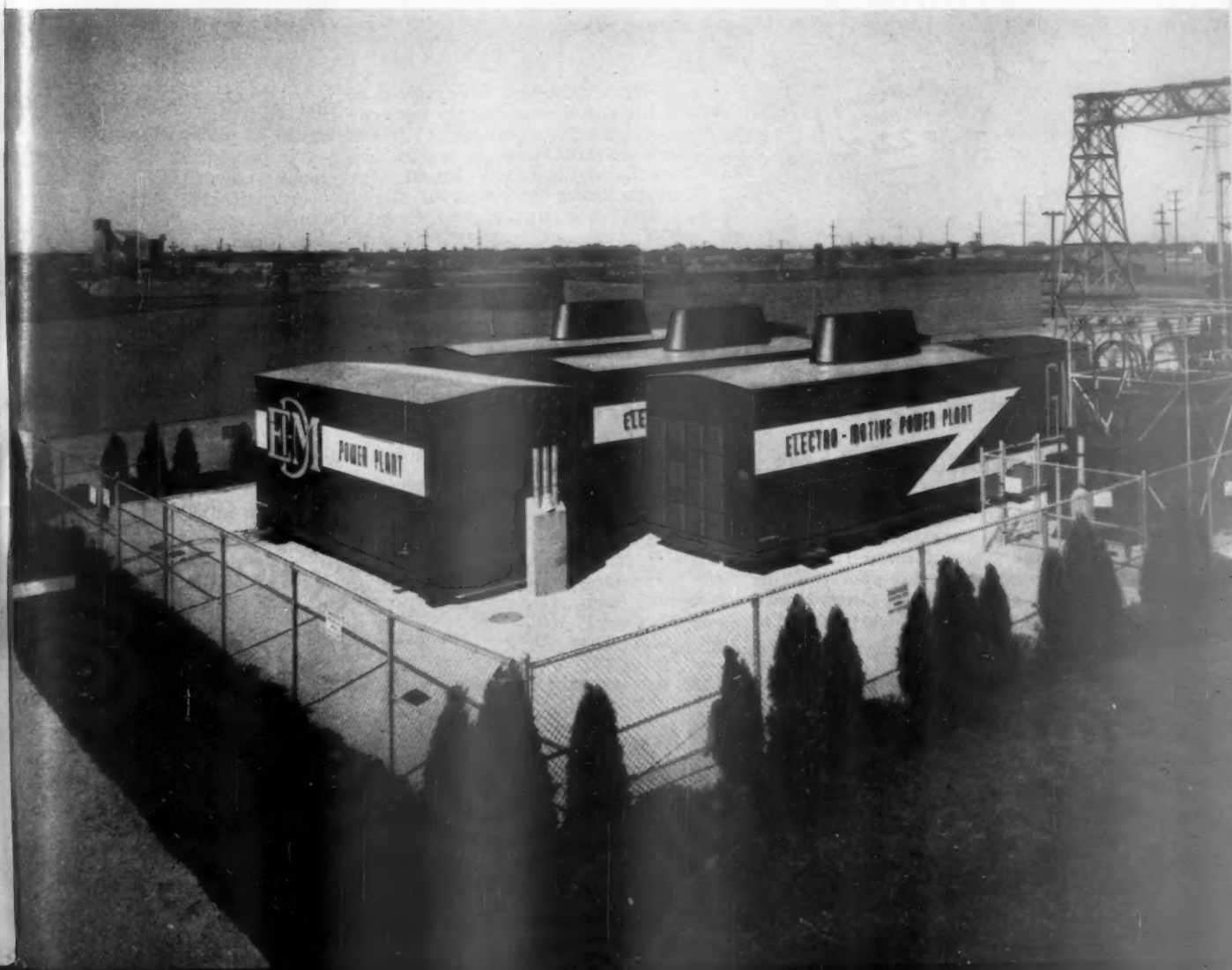
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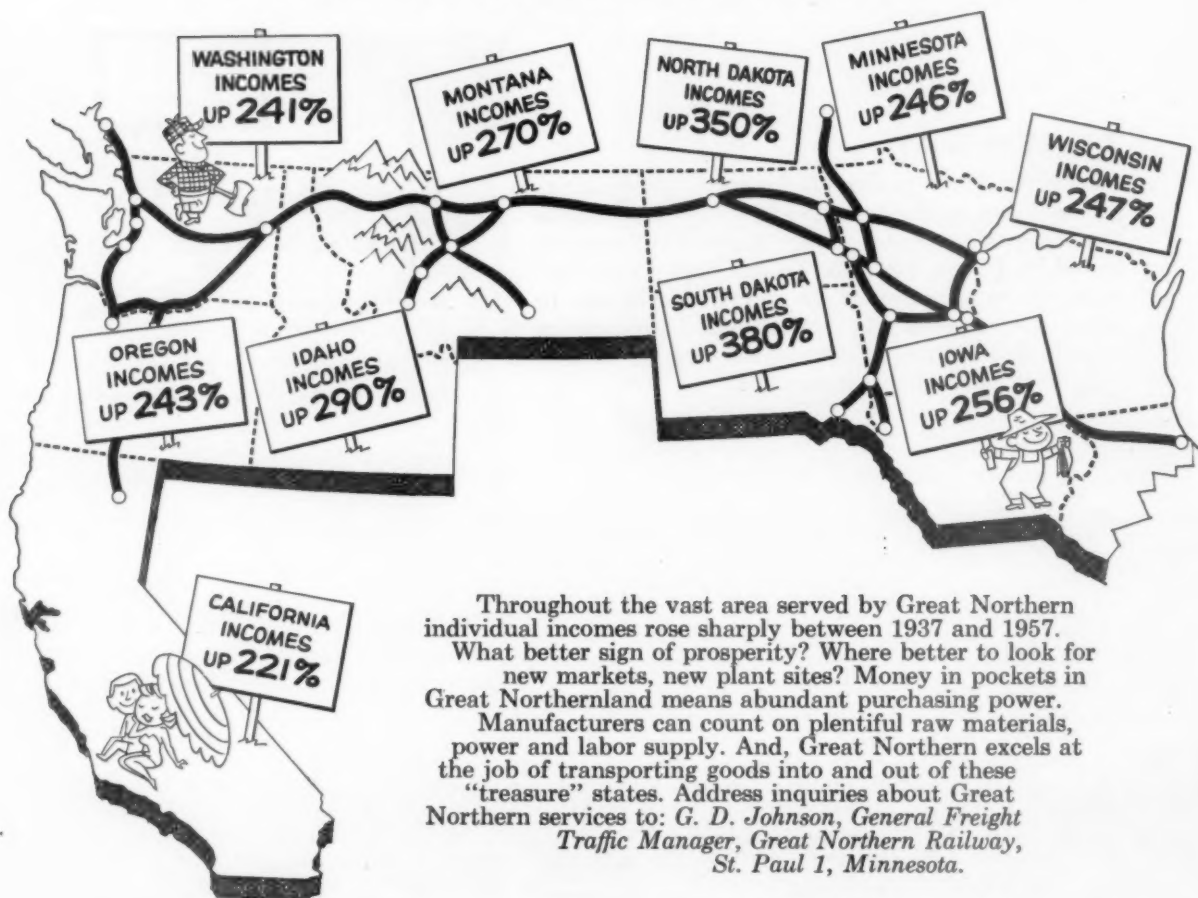
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DOLLAR \$IGN\$

in the nation's "treasure" states



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Manufacturers can count on plentiful raw materials, power and labor supply. And, Great Northern excels at the job of transporting goods into and out of these "treasure" states. Address inquiries about Great Northern services to: *G. D. Johnson, General Freight Traffic Manager, Great Northern Railway, St. Paul 1, Minnesota.*

A TREASURY OF FACTS ABOUT 10 BOOMING STATES

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help evaluate opportunities here. We'll gladly share the useful information we have on this area. Write *E. N. Duncan, Industrial and Agricultural Development Department, Great Northern Railway, St. Paul 1, Minnesota.*

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incomparable **EMPIRE BUILDER**





Great Day for Ducks...and Drying

When it comes to laundry, today's housewife laughs at the weather . . . thanks to automatic appliances guided by Mallory-developed timer switches.

No one device has done more to bring automation to the home than the Mallory timer switch. Automatically, it helps make molehills out of mountains of laundry . . . provides "sunshine" for drying on wettest days.

Chances are the first automatic washer you owned was controlled by a Mallory timer switch. Today's appliances do much more—wash, rinse, dry, even give special "handling" to special fabrics. And Mallory developed the switches needed to control the more complex operations—automatically and dependably. They are first choice of major appliance manufacturers.

For home and office . . . factory and farm, Mallory research creates entirely new ideas for switches to provide practical, automatic control of appliances, processes and machines.

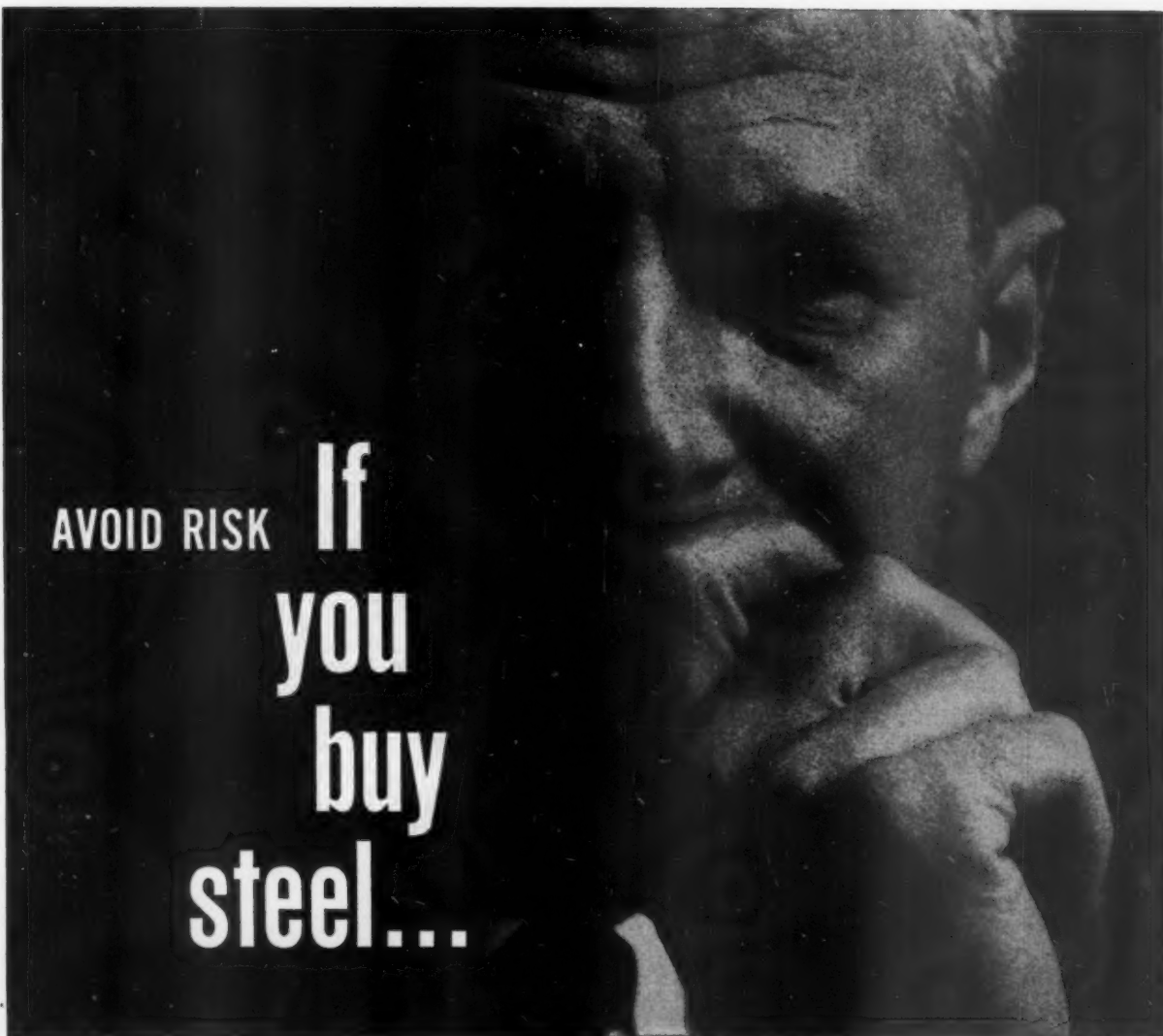
Spreading the benefits of automation is one of many ways Mallory serves the nation's growth industries, with precision components and unusual experience in electronics, electrochemistry and specialized metallurgy.

P. R. MALLORY & CO. Inc.
MALLORY

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Electronic, Electrical & Special Metal Components • Dry Battery Systems • Semi-Conductors • Timer Switches

AVOID RISK If you buy steel...



C. W. SMITH

USE OUR INVENTORY to continue your cost-control program

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It's only good business to avoid big-inventory risks. That way you make more productive use of capital and save on space, handling, obsolescence and wastage. Yet with your Steel Service Center you have adequate inventory to draw on at all times.

And it makes sense to continue your

cost-control program. Why not continue free-of-risk steel buying from your Steel Service Center . . . get *all* the steel you need delivered *when* you need it, cut to exact size and ready for use.

Compare all your costs of inventoried steel with the cost of steel delivered as needed. Use the chart at the right. Or get the booklet, *What's Your Real Cost of Possession for Steel?* Ask your nearby Steel Service Center, or write to American Steel Warehouse Assn., 540 Terminal Tower, Cleveland 13, Ohio.



The American Steel Warehouse

...YOUR STEEL SERVICE CENTER

COST OF POSSESSION FOR STEEL IN YOUR INVENTORY

Per ton delivered	_____
Cost of capital:	_____
Inventory	_____
Space	_____
Equipment	_____
Cost of operation:	_____
Space	_____
Materials handling	_____
Cutting & burning	_____
Scrap & wastage	_____
Other costs:	_____
Obsolescence	_____
Insurance	_____
Taxes	_____
Accounting	_____
TOTAL	_____

COST OF FREEDOM-FROM-RISK STEEL FROM YOUR STEEL SERVICE CENTER

Per ton, cut-to-size, and delivered	_____
TOTAL	_____

White glow of torches casts rings of shadow, as lugs are welded inside a section of kiln made in Milwaukee for later installation at Nashville plant.

Marquette in 1958

Modernization highlights a year of accomplishment

We're modernizing plants and equipment at the rate of \$6 million a year—now that cement producing capacity has overtaken present and near future demand by wide margins. We will continue this program, currently in its third year, in order to raise operating efficiency, reduce production costs to the lowest possible level, and thus maintain our traditional competitive position.

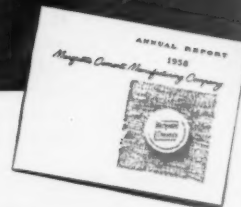
Highway construction increased in our 18-state market during 1958; we had no further break-in costs at our new plants, and operating expenses were reduced through modernization. As a result, our earnings after preferred dividends amounted to \$3.26 a common share, up 20% from \$2.71 a share the year before.

Financial Highlights

	1958	1957
Net Sales	\$53,059,882	\$47,750,482
Net income*	8,742,434	7,306,933
Earned per common share	3.26	2.71
Common shares ..	2,625,000	2,625,000
Common dividends		
Total for the year .	1.50	1.40
Annual rate		
at year end....	1.60	1.40

*Not including possible tax savings from expanded depletion allowances.

Copies of our Annual Report for the fiscal year ended December 31, 1958, are available upon request. Write to Director of Public Relations, Marquette Cement Manufacturing Company, 20 North Wacker Drive, Chicago, Illinois.



Marquette Cement

Manufacturing Company

Executive offices: 20 North Wacker Drive, Chicago, Illinois

Operating ten cement producing plants in Illinois, Iowa, Ohio, Missouri, Georgia, Tennessee, Mississippi and Wisconsin

Annual capacity 16,620,000 barrels

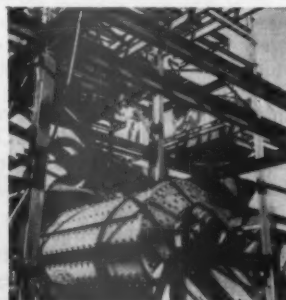
Superior, Ohio—Huge electric stripping shovel has a 160 foot boom, the longest in the world, for increased efficiency in our quarry operations.



Nashville, Tenn.—This new 400 ft. kiln, part of cost-saving improvements and replacements here, reduces fuel consumption about 35 per cent.



Rockmart, Georgia—New combined raw and finish mill showing framework rising around new mill, as bottom of separator is guided into position.



Cape Girardeau, Missouri—Railroad car can be loaded with cement and weighed in 19 minutes with the help of these modern bulk loading facilities.



All-transistorized Honeywell 800 . . . the only all-purpose medium-scale data processing system that starts economically, expands with your needs and cannot be outgrown.



correction, sir!

**You do not (repeat) do not need
special programming to utilize
Honeywell 800's unique ability
to process up to 8 different jobs
independently, simultaneously**

Data processing and computer experts coast to coast have expressed genuine amazement at Honeywell 800's ability to process several business and/or scientific programs in parallel.

But, based on their knowledge of other systems, many have also added: "Imagine the complex, costly programs you'd need to perform such wizardry!"

Not correct. A single automatic control unit supervises each and every independent operation speeding in parallel. No special programming is necessary with Honeywell 800.

What do we mean by processing in parallel?

We mean you can process simultaneously up to 8 different jobs.

We mean you can run off each job *independently* with its own program, without using a master plan involving complicated priorities and programming.

We mean you can start and stop individual programs while other processing continues at maximum speed.

Costly? Impractical?

To the contrary; because Honeywell 800 can process several business jobs in no more time than it takes to do the longest job alone, this competitively priced system can obviously process more data per dollar in any working day than any other computer.

Since only a minimum amount of equipment is needed to capitalize on Honeywell 800's tremendous speed and parallel processing ability, relatively small companies with small applications can profitably use this System. Not only can its capacity be expanded in small steps and at small cost, but Honeywell 800 can grow *indefinitely* to meet future processing needs.

Both the equipment and the programs of

Honeywell 800 are backed by years of experience — and the kind of service you have come to expect from Honeywell. As with the Honeywell DATAmatic 1000, this exciting new system can be leased or purchased.

For full specifications and details, write Minneapolis-Honeywell, DATAmatic Division, Dept. B2, Newton Highlands 61, Mass.

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THESE 8 IMPORTANT ADVANTAGES**

- do up to 8 different, independently programmed jobs simultaneously — business, scientific or both
- process small volume applications economically
- expand its capacity in small, economical stages
- grow without limit to meet your future needs
- end the problem of costly reprogramming
- process many business jobs independently, in no more time than it takes to do the longest job alone
- solve complex scientific problems more efficiently than computers marketed for this purpose
- process more data per dollar in a working day than any other system

Honeywell
 **DATAmatic**
ELECTRONIC DATA PROCESSING



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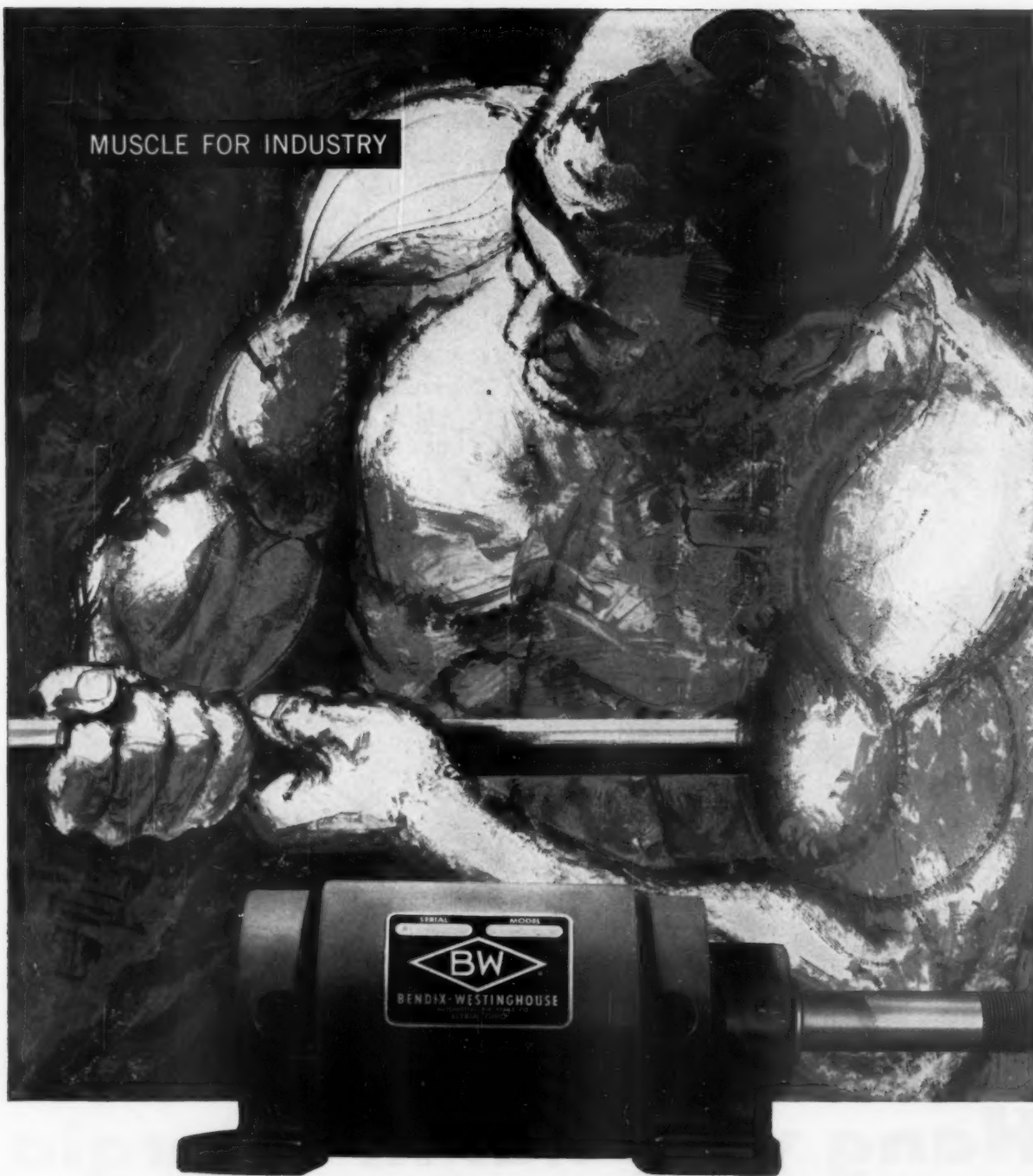
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BUSINESS OUTLOOK

BUSINESS WEEK

APR. 11, 1959



Auto sales suddenly are being greeted with exuberance—more in Wall Street, it might be noted, than in Detroit.

It would be a mistake to go by the newspaper headlines.

Sales so far in 1959 have, of course, been well ahead of the same months last year. (If they hadn't, it would have been catastrophic.) And the last few days of March put new strength into the trend.

But the truth is we aren't even up to 1956 and 1957 levels.

Registrations of U. S.-made cars for the quarter just ended probably will add up to 1¼-million. (That would be short of the industry's reported "retail deliveries" as is normally the case early in the year.)

Such a showing would top 1958 by about 150,000. However, it still would trail the totals for both 1956 and 1957 by nearly 200,000.

Dealers everywhere tell Business Week reporters the sales pressure is on. This is particularly true between Chevrolet and Ford. And the result quite possibly could be a second quarter along 1956-57 lines.

In that case, second-quarter sales may be very nearly 1.7-million.

That would put the half year fairly close to 3-million. However, the normal pattern is for some softening of the market in the second half; so it still doesn't look like any 6-million-car year (unless you add on upwards of 400,000 for imports).

Forecasts on the market for new cars in 1959's last half must be attempted with fingers crossed. The reason: the new "compact" cars.

- How many prospective buyers will hold off waiting to see them?
- How many prospective buyers of foreign cars will wait for a look?
- How much will they affect total unit sales from July to Christmas?

Compact cars already are quite a market factor. American Motors says its March retail deliveries were just about 30,000 while S-P's Lark got almost half that number. And imports rolled up 35,000 or 40,000.

Smaller cars aside, Pontiac and Ford claim the biggest year-to-year gains for last month—up 83% and 64%, respectively.

Chevrolet dealers tell Detroit that they moved 130,580 cars last month, 21% more than last year. Ford hasn't come up with an exact figure, but indicates it came within a few hundred of the Chevy total.

Here's a guess: When the first-quarter figures on registrations are in, they'll show Chevrolet just over 340,000 and Ford a mite above 325,000.

Production figures for last quarter show 806,500 for General Motors, 465,800 for Ford, and 177,800 for Chrysler. GM's share of output was 50.4% against 56% in 1958; Ford had 29% vs. 27%; Chrysler 11% against 13%.

Their market shares (based on Business Week estimates of registrations) look a little different, for imports must also be included. Thus it becomes 47% for GM in the first quarter, 28% for Ford, and 10.2% for Chrysler.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

APR. 11, 1959

Improvement in auto sales shows up in the volume of business going to the companies providing consumer financing.

Installment loans for the purchase of cars (both new and used) rose by about \$150-million from the end of November to the beginning of March. And, with the more vigorous sales pace, March doubtless was up sharply.

But, even with this somewhat better-than-seasonal performance, **auto credit remains about \$1.3-billion below its 1957 peak.** And the present \$14¼-billion outstanding is \$800-million below a year ago.

Installment loans for purchases other than autos show a very different trend. They consist mainly of personal loans and appliance-home furnishing credit. They've gone off seasonally since December (while auto credit was rising, but they're more than \$1-billion higher than they were at the same time a year ago.

—•—

Inventory building continues, the latest Dept. of Commerce figures attest, **but the growth isn't so fast as you might think.**

The stocks held by factories making durable goods (where most of the change has been) have risen about \$800-million from their low. However, at \$28.3-billion, the total still is \$3½-billion below the 1957 top.

Here's the reason inventories haven't been rising any faster: **Up to now, the gain in output and shipments has been proportionately larger.**

Actually, over-all stocks of durable-goods plants are only 2.05 times monthly sales. **That's as low a ratio as has been posted any time in a long while;** it compares with 2¼-1 as recently as last August, while the relationship at this time last year was running 2½-1 and higher.

Present stocks can't be much more than adequate to support today's output of durables—which is back very close to 1957 levels.

The real buildup now is in the backlogs plants are accumulating.

Rapidly as production has been stepped up, hardgoods factories have been unable to match the rate of incoming orders. This was particularly true, starting in February, because of the rush of steel orders.

February orders were the best in more than two years (on a seasonally adjusted basis). They topped shipments by \$1½-billion.

This carried the aggregate backlog to \$46.2-billion; that's an improvement of \$2.7-billion since the tide turned last May (but it still leaves unfilled orders for durables nearly \$15-billion below their peak).

—•—

Last month's rise in employment may not have satisfied the union leaders (page 121); yet the gain of just over a million was fully half again as large as might have been expected (BW—Apr.4'59,p19).

The 390,000 drop in unemployment, too, was better than seasonal.

More than 58.6-million people were busy at non-farm work in March.

That's the highest level ever reached by nonagricultural employment at this time of year. Moreover, it's a gain of 1.4-million in a year.

And, even though unemployment stood at 4,360,000 in March, that figure was 838,000 smaller than it was a year ago.

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Moana

Surf Rider

CANADA

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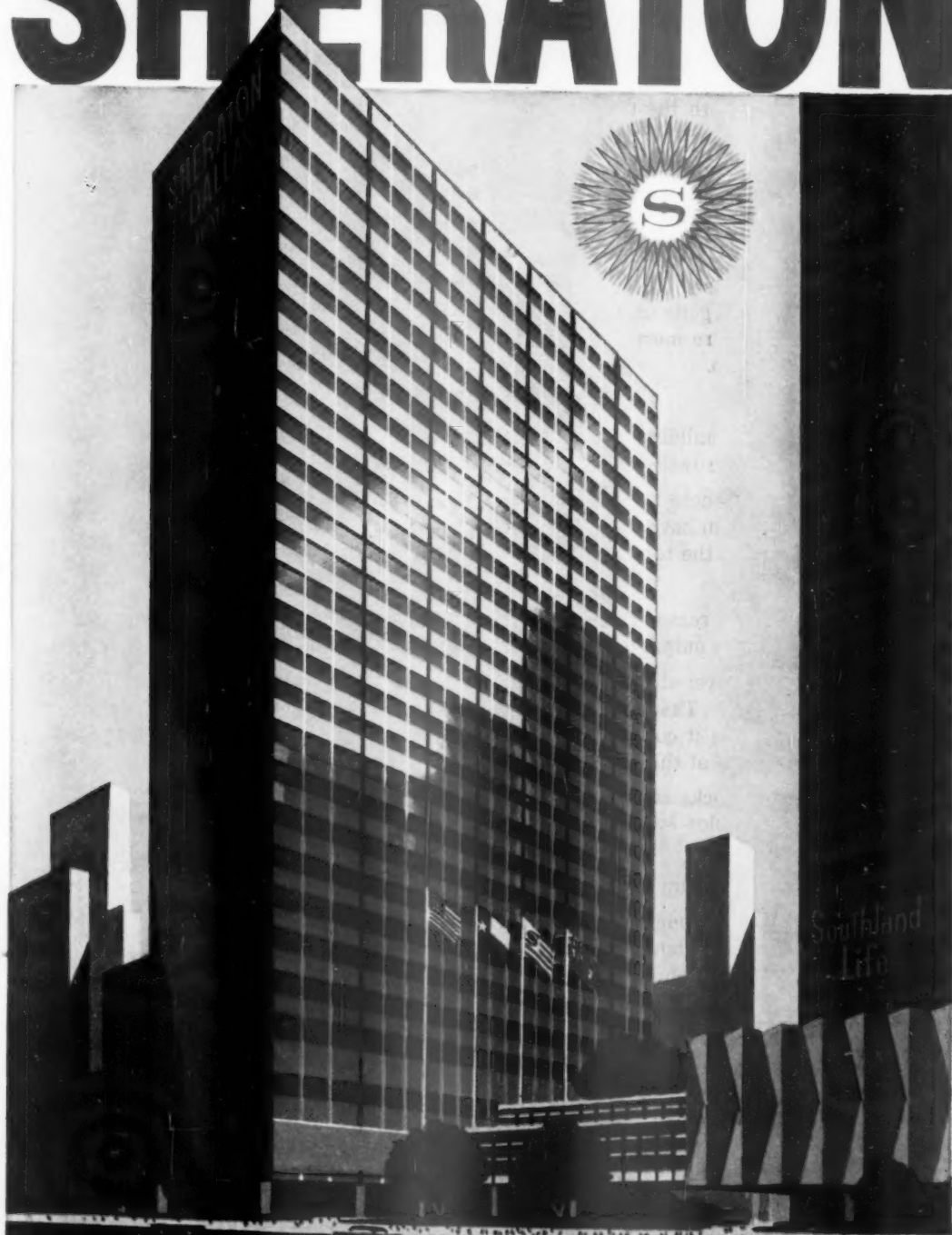
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SEC Opens War on Manipulators

● Speculation has attracted the lambs to be fleeced, and it follows that manipulators are active again.

● With hot tips and equally hot money, manipulators are believed to be making killings, mostly on the American Stock Exchange and over the counter.

● Fearing harm to the public that might lead to a general market collapse, SEC is starting police action.

This week, the Securities & Exchange Commission, which tries to be the guardian of the public shareholder, brought out into the open a state of affairs that many in Wall Street have preferred to keep behind closed doors. SEC's charge: There is evidence of increasing "manipulation" in the stock market.

Wall Street itself has been willing to admit that the market shows signs of unhealthy speculation. The New York Stock Exchange, for instance, is advertising against "inside dope," and its glad-handing president, Keith Funston, warned the public to keep away from "highly speculative issues." The American Stock Exchange chimed in with words of caution about "glamor" stocks in the electronics industry. Wall Street's biggest brokerage house, Merrill Lynch, Pierce, Fenner & Smith, Inc., also pointed a finger at "imprudent speculation" in newspaper advertisements, and some other brokers took steps to keep customers out of gyrating issues.

• **Investigating**—But SEC's unusual statement went far beyond Wall Street's concerted campaign against speculation. In bluntly declaring that there was manipulative activity in the market, it was exposing an ugly situation that, up until now, has been talked of mostly in whispered rumors (BW—Mar. 21 '59, p135).

The SEC says it is investigating cases where it thinks manipulation has been going on. It is also watching the markets for new signs of such activity.

After making its statement to the public, the SEC decided to drop a veil over its activities. It does not want to alarm investors unduly or to get itself blamed for any downturn in the market.

It prefers to maintain a sphinx-like attitude until it can produce actual evidence and prosecute the manipulators in the courts.

• **In Three Areas**—In private, though, SEC investigators say they are concentrating on three main areas:

• **Pool activity** in specific stocks that have had sharp runups based mostly on rumors.

• **Lending activity** by a group of high-charging money brokers who are able to finance manipulations and circumvent the 90% margin requirement set by the Federal Reserve.

• **Free-riding** in many new stock issues, marketed by small or relatively unknown companies, that are fully subscribed even before a prospectus is issued.

These activities could not thrive without a high degree of speculative fever. Because so many investors, including a great number of newcomers, are out to make a killing in the market, they are natural prey for manipulators. Both the SEC and Wall Street fear that if the public gets hurt in some of the manipulated issues, it may invite a general market collapse.

I. Not Like Old Times

While manipulation is going on today, it is nowhere near so rampant as in the market of the 1920's, when "rigging" and "corners" and pool operations were common devices to fleece the innocent. In 1929, there were 107 issues on the NYSE that were involved in manipulation. Today, the SEC's New York office, which has often been accused of looking for manipulators under the bed, frankly says that the kind of manipulation now going on

bears little resemblance to the highly organized multi-million-dollar pools of the 1920's.

Passage of the Securities Act of 1933, which established SEC as a watchdog over the markets, has eliminated overt manipulation. Today, with the SEC watching any "unusual" activity in stock trading and checking on every new stock issue, manipulators have to operate from the underground. This has made the job of catching such activity much more difficult. As Paul Windels, Jr., chief of the SEC's New York operation, explains: "A manipulator now sets up a whole collection of numbered and nominee accounts that conceal his identity."

• **Where It's Done**—The essence of manipulation involves an attempt to make a stock sell either higher or lower than it would under "normal" conditions of supply and demand. Though it is clear that such an ideal market doesn't often exist, neither Wall Street nor SEC talks about manipulation until there is some evidence an inside group is seeking to raise or lower a stock price at the expense of the public.

According to SEC officials, most of the manipulative activity taking place right now is in issues traded over the counter or on the American Stock Exchange. That's because stocks in these markets have some particular advantages. No figures on trading volume are collected for over-the-counter issues, for instance, and that makes it hard to spot any manipulation. And many issues have relatively few shares outstanding, which makes them vulnerable to big price swings on any change in demand.

• **How It Works**—Here is how today's manipulators work:

A small group gets funds together, starts buying the stock of a company in some such glamor industry as missiles or electronics, or in such a speculative field as real estate. In some cases, they buy enough for control; in others, they operate on the outside. Either way, they start talking up the issue to brokers and investors, and make use of tipster services that will recommend what they are paid to. They usually reserve a little of their buying power to "hit" the stock just when interest is aroused, and bring about a sharp rise in price.

This is all it takes to get speculators

and tape-watchers buying. Even brokers are not immune to fast-moving stocks. And as the stock rises in price, the pool unloads, and in some instances sells short.

Any manipulation takes sizable amounts of money. Though some manipulators are well-heeled, most of them rely on "high-rate" money lenders who stand ready to accommodate practically anyone as long as he provides the necessary collateral.

These money brokers do not come under the banking law, are not subject to the Fed's margin rules. Moreover, those that operate in New York State are exempt from the interest ceilings imposed by usury laws if they lend more than \$5,000 at a clip—which is small potatoes for such brokers. Interest on some loans to stock market operators runs as high as 5% a month—60% a year. The usual rate, though, will usually figure out between 1% and 1½% a month.

- **Hot Money**—Money lenders financed the operations of Alexander L. Guterman (page 119) and the men behind the Swan-Finch Oil Co. scandal (BW—Aug. 17/57, p.52). SEC says that it is going to look into such lenders' activities even though they don't normally come under SEC jurisdiction. For, says the SEC, the money lenders have been used to evade its registration requirements for sales of controlling stock in a corporation, and they feel justified in looking at the books of some of these financial operators.

Some of the money that's lent to manipulators comes indirectly from legitimate sources—from businessmen who are lured by the high rates being offered. But it is probable that a good deal of it represents "hot" money from racketeers and tax evaders.

II. The Public's Mood

Just as important to the manipulator is a public in a mood to buy stocks based on tips and rumors. Some operators eventually emerge from underground if they have made themselves a reputation in speculative circles. Any venture such a man goes into gets a spontaneous following.

It is clear that what is now going on in the market is not just "boiler room" activity. Nor is it like the speculative surge in penny uranium stocks that swept boardrooms some years back. Now, speculation in the market is general, and the manipulators are returning to take advantage of the gullibility and the hopes of the public.

Most Wall Streeters think that manipulation is still relatively minor—though they are alarmed to see any signs of it at all. SEC agrees, with hope that its warnings and actions will help nip it in the bud.

Foreign Cars Line Up For Hotter U.S. Race

Makers set 1959 sights high, but bigger variety at N. Y. show—and coming U. S. small cars—mean tougher going.

New York City crowds this week were paying \$1.50 a head to browse through three floors of foreign-made cars on display at the International Auto Show in the Coliseum (pictures).

On view were models of just about every make of overseas autos—from Japan's Toyopet and the little Dutch DAF to the \$12,000 Mercedes-Benz. About the only one missing was the fast-selling Volkswagen, which has never figured it needed much promotion.

This year's show is significant for a couple of reasons:

- The variety of brand names, models, sizes, and prices—something for everybody, from the sports car buff to the commuter who wants a runabout that drinks gasoline by the pint rather than by the gallon.

- The fact that 1959 will almost certainly be the year when Detroit, by introducing new lines of "compact" cars, admits it missed a significant shift in the U.S. market, letting imported cars (plus the U.S.-made Rambler and Lark) fill the gap.

I. Sales Boom

Sales this year are booming along at a record clip.

The more sanguine among the importers are betting that 1959 imports will hit 500,000; more conservative estimates put the figure close to 450,000—approaching 10% of the U.S. market.

That is startlingly high when you consider that just a decade ago only two makes of imported cars—Austin and English Ford—were making any sales effort in the U.S. As late as 1955, only 58,000 imports were sold. But from that point on, sales took off. Last year about 375,000 imported cars were registered—a 30% gain over 1957.

It's a big question whether that pace can be maintained. But most observers agree this is the year when you can say that foreign-made cars are here to stay.

They agree on another thing, too: Imported car sales are reaching some sort of turning point. Importers no longer can count on the cars selling themselves. There are far more competitors—some offering a full line of models and prices—within the foreign-made group themselves. Perhaps more important, American manufacturers are

ready to introduce their own versions of smaller cars. These are certain to capture part of the market.

II. Girding for Battle

Representatives of most foreign-made cars readily admit that the increasing competition will require a lot harder selling job. Advertising is up, new dealers are being added, service expanded.

Volkswagen, long the leader with more than a quarter of the import market, is picking a new advertising agency, plans to spend some \$1-million in a national campaign. A couple of years ago it was spending practically nothing. Its sales in 1958 topped 100,000 (including commercial vehicles), and it is predicting about 112,000 during 1959. VW is adding few dealers.

- **Ambitious**—Much more ambitious is Renault, the French company, with total registrations in 1958 of 48,000. No. 2 behind VW, it hopes to hit 100,000 this year. Thus far, sales are about doubling a year ago. Jack C. Kent, general sales manager of Renault Inc., thinks it should hit a level of about 130,000 in two or three years.

Renault is adding about 200 dealers to its present 14 distributors and 800 dealers. Rapid sales gains have put pressure on its servicing organization; so the company has a group of five traveling service schools to teach dealer mechanics about the car—and teach dealers how to sell. It also wants to add about 800 service facilities.

This year's ad budget is being doubled—to about \$2-million. By October, Renault will be importing a new low-priced (\$2,400), four-seat sports car called the Caravelle. It also plans to market a van-and-bus type vehicle to compete with VW's commercial line.

- **British**—Equally ambitious are British Motors Corp. and the Rootes Group, both having record first-quarter sales. Rootes expects its Hillman sales (price: about \$1,600) will hit 36,000 in 1959 against 18,600 in 1958 and only 10,900 in 1957. It will also introduce a luxury car new to the U.S., the Humber, selling for \$3,995. This will give Rootes a full line from the Hillman through the Singer (\$2,100), Sunbeam (\$2,400), and the Humber Stationwagon (\$4,500). Its ad budget is going up to \$700,000.



FRANCE is a leading exporter to U.S. Simca, a Chrysler affiliate, introduced \$2,090 Ariane this week.



The French Renault, No. 2 import (after Volkswagen), adds the Caravelle, a sporty four-seater, for about \$2,400.



BRITAIN contributes third-best seller, English Fords, whose wide line includes Zephyr at \$2,295.



Among General Motors' entries in import market is British-made four-door Vauxhall station wagon, at about \$2,340.



JAPAN has invaded U.S. with Toyopet and Datsun (above), a utility design listed at \$1,700.



ITALY has risen from nothing to No. 4 in imports, thanks to Fiat, whose 1800 (above) costs \$3,200.



NEW version of British Motor Corp.'s Austin A-40, priced at around \$1,850, is among cars BMC is selling hard in U.S. Britain's Rootes Group is pushing sales, too.



LOW PRICE is appealing on DAF, a late comer among imports, introduced by the Dutch with a \$1,469 price tag, unique transmission.



IRON CURTAIN is pierced at auto show only by Czechoslovakia, which is displaying its Skoda. The price is about \$1,800.

in the first half of 1959, against \$800,000 for all of 1958—and, for the first time, part of it will go for television.

British Motors—MGA, Morris, Austin, Riley—talks of “fantastic” sales so far this year and has set a 60,000 goal for 1959, just about double 1958.

• . . . And Italian—The Italian-made Fiat is another fast comer with plans for increasing market penetration. Its sales last year jumped to 21,192 from 5,241 in '57, making it No. 4 import.

III. U. S. Shares

This spectacular growth of imported cars hasn't been completely at the expense of U.S. auto manufacturers. Foreign subsidiaries or affiliates of the Big Three have shared in it. Take General Motors' English-made Vauxhall, sold exclusively by Pontiac dealers. GM began importing that make in 1957, sold 17,000 last year, and right now is bringing in 2,500 a month. Buick started importing the Opel, made in Germany, late in 1957. Last year, its dealers had sold 15,600; and by the end of May Buick will have imported 18,600, this year.

The English Ford—first of the post-war imports along with Austin—now ranks third in sales, with its 15 passenger models and eight trucks. Last summer, Ford began importing six models of Taunus, the German Ford. This year Ford imports should easily top 1958's 33,200 registrations.

Chrysler has its line from Simca, the French company in which it bought a substantial interest last year. Today some 700 Chrysler dealers handle the line of five four-door sedans, station wagon, convertible, and sports coupe. Sales rocketed from 5,454 in 1957 to 17,121 last year.

IV. Now the Small Car

But U.S. auto makers apparently aren't willing to rely only on their imported models to satisfy the admitted desire of U.S. consumers for greater variety of choice in autos.

So now Detroit will bring out its “compact” cars. The question is whether that will hurt sales of imports.

Importers themselves don't think so. Volkswagen and Renault officials, for instance, are agreed that Detroit's new car series will be priced above their market and will be larger.

• **Question No. 2**—But there's another question which some informed men in Detroit are asking themselves. It is whether the new crop of “medium-priced” imports—such as the larger Simca, Humber, Volvo, Fiat, will hurt sales of Ford, Chevrolet and Plymouth. These imports—mostly new to Americans—are competitive in both size and price with the “low-priced three.”

U.S. Goes to Moscow Suburb

A \$6-million science and culture fair this summer will show Russia how the U. S. lives, while the Russians spread word of their culture at an exhibit in New York.

While the East and West contend over the future of Berlin, U.S.-Russian relations on a lower level are just about as amicable as they could be.

In Moscow's Sokolniki Park, Russian workers this week are laying concrete foundations for a series of buildings in which the U. S. will display appurtenances of the American way of life. In New York, the managers of the city's Coliseum are helping an advance guard of Russians who arrived 10 days ago to set up a similar display representative of their country.

• **Sensitive Program**—The twin exhibitions each will run six weeks. They are the latest events in the on-again off-again program of cultural exchange between the U.S. and the Soviet Union, a program that started hesitantly in 1956, was interrupted by the Hungarian revolution at the end of that year, and then was restored only after delicate negotiation early in 1958. There is, of course, some chance that the pressures of diplomacy on a higher plane again will interrupt the program. But for the moment, the schedule calls for the Russians to open their exhibition in New York June 28, and the U.S. to open its show in Moscow July 25.

The reciprocal shows are dubbed "exhibitions of science, technology, and culture."

• **Helping Hand From Industry**—Into the U.S. show, which an estimated 4-million Russians will see, the government is putting some \$3.6-million, mainly to pay architects, designers, builders, and bilingual guides who will direct Muscovites around the exhibition. But U.S. industry is putting at least half as much again into the show. More than 375 manufacturers are giving or lending the government between \$2-million and \$2.5-million worth of their products, from air conditioners to cosmetics, hi-fi sets, and even voting machines.

Much of the emphasis of the U.S. show is on the surroundings in which an American family lives; this necessarily means there'll be lots of machinery rattling and gurgling in a terrace apartment and a three-bedroom-house that will form part of the exhibition. There'll be automobiles, fine art displays, movies, and a space show.

The emphasis of the Russian show in New York is likely to be most heavy on the surroundings in which a Russian dog might live: There'll be detailed models

of Sputniks and Muttniks. Also the inevitable models of hydroelectric power stations, tractor factories, and ornate Russian architecture.

• **Protracted Negotiations**—The inter-governmental treaty under which all this will take place runs to seven pages of single-spaced typing. At one point, the agreement says there will be no censorship by either side. At another point, it says each side will have a chance to inspect and make recommendations about the movies, slides, and displays that the other side plans to show. At a third point, it adds that the shows must be cultural and nonpolitical.

It wasn't easy to put together even so equivocal an agreement as this. It was mid-September when the two nations decided to hold reciprocal exhibitions; mid-October when Pres. Eisenhower appointed Harold C. McClellan, head of Old Colony Paint & Chemical Co., of Los Angeles, to be general manager of the U.S.'s exhibition. But not until the end of December was the agreement worked out. Says one official of the State Dept.'s East-West Contacts

division who worked on the treaty: "Neither the Russians nor ourselves had had much experience at this kind of thing. We spent weeks thinking of every conceivable problem that could arise, then trying to agree how it should be handled."

So far, one of the few changes that the Russians have sought—and obtained—in U.S. plans involves shifting by a few feet the site of one of the main buildings, an aluminum geodesic dome, so that a stand of birch trees in the park could be preserved. The U.S. is paying \$142,250 to rent the park; the Russians will pay \$140,000 to rent two floors of the Coliseum.

U.S. industry has little chance to profit from the goods it's providing for the exhibition in Moscow. Ford Motor Co., for example, is lending the government nine autos—ranging from a Continental to a farm truck—paying the freight on these from New York to Moscow and back again to Western Europe where it will sell them.

• **Lasting Monument**—When the show does close in Moscow, the Russians will inherit the U.S. exhibition buildings—the dome and a glass-walled pavilion. The Soviet's All-Union Chamber of Commerce has agreed to buy them for \$375,000 or 50% of the construction cost, whichever is less. So in 1960, or after, it's likely that Russia's satellite countries—and perhaps even Red China—will set up exhibitions in the buildings erected by the U.S.

Jet Age to Boost Needs of Airports

Federal agency's first survey of needs between now and 1962 gives support to demands for bigger appropriations.

The Federal Aviation Agency has released the annual shopping list of the nation's airports—a 504-page document detailing \$1.3-billion of needs at 3,324 airports between now and 1962. Almost half the total improvements are linked to the need to serve jet airlines.

The 1959 version of the National Airport Plan bears no relation to what the agency thinks the federal government should provide in airport funds. Instead, it is a statement only of requirements, based mostly upon the estimates of the airport operators' themselves and without regard to who would foot the bill.

• **First Survey**—The plan is the nearest thing yet to a true national assessment of airport needs. As such, it is taken seriously on Capitol Hill, where both Congressional and industry advocates use it as ammunition in their fight for a more vigorous federal-aid airport program.

The plan gives a detailed breakdown of the airport needs within each state.

Requirements range from \$3-million in Delaware during the four-year period to \$201-million in California.

More than \$636-million is needed to provide adequate facilities for jet airliners at 95 airports. Another \$367-million in improvements is required to handle the increasing flow of conventional commercial air traffic at 950 airports.

Business, agriculture, pleasure, and instructional flying need \$282-million in improvements at 2,279 smaller airports.

• **Boom Predicted**—The estimated requirements are tied to forecasts of a tremendous boom in air travel. The FAA estimates that the domestic airlines, which flew 6-billion passenger-miles in 1946 and 26-billion last year, will be flying 35-billion passenger-miles in 1960, 49-billion in 1965, and 60-billion by 1970.

In the face of such tremendous potential growth, aviation interests have won a sympathetic hearing in Congress

for their argument that the federal-aid airport program must be stepped up.

The Senate accordingly passed a bill authorizing \$465-million in matching grants to finance the program through June, 1963. The House, perhaps in

deference to rumblings of a Presidential veto, trimmed this to \$297-million—compared with \$200-million originally proposed by the Eisenhower Administration. Differences between the two bills have not been reconciled.

FPC Gets Gas Price Formula

Five years after Supreme Court put wellhead prices for natural gas under FPC control, an examiner proposes a price criterion based on cost of service.

A Federal Power Commission examiner this week recommended that the price of natural gas sold by independent producers should be regulated in much the same way as prices received by gas pipelines—by determining the cost of service, then adding an equitable rate of return.

The opinion given by Examiner Joseph Zwerdling, if adopted by FPC, could establish a precise method of wellhead price regulation for natural gas, ending a five-year search for such a method. More than 3,000 independent natural gas producers would be affected.

• **1954 Decision**—The commission has been in a quandary on producer price regulation since the U.S. Supreme Court in 1954 said the commission has jurisdiction over natural gas prices at the wellhead.

The court decision brought on several attempts in Congress to amend the Natural Gas Act of 1939 to relax the control over producers. In 1956, Congress passed the Harris-Fulbright gas bill, only to have Pres. Eisenhower veto the measure—after Sen. Francis Case (R-S. D.) said representatives of the Superior Oil Co. had offered him campaign money. After that, attempts to pass a natural gas bill failed.

• **Cost Yardstick**—For two years after the Supreme Court decision, gas producers tried to get FPC to approve one of a variety of plans they suggested for regulation of prices at the wellhead.

One method, termed the "fair field price," was advanced by the Panhandle Eastern Pipe Line Co. It was approved by FPC but turned down by a U.S. Court of Appeals. The field price theory would have established a producer price for gas by determining the average price paid in a given producing field. The appeals court held that FPC had not justified this theory.

In more recent years, the gas-producing industry has been carefully watching hearings before Examiner Zwerdling on the same Phillips Petroleum Co. case that brought the 1954 ruling.

• **11-Year Hearing**—After the Supreme Court declared that FPC had jurisdiction over producer prices, the agency started considering whether price in-

creases sought by Phillips were just and reasonable.

This week, Zwerdling delivered a 343-page opinion—lengthiest in FPC history—that producer prices for natural gas should be regulated on a cost-of-service basis.

Zwerdling rejected arguments that such a method of regulation was unworkable or that erratic prices would follow. He recommended an average price for Phillips of 11.7¢ per 1000 cubic foot. The 1957 average price for gas paid by interstate pipelines was about 12¢ per mcf.

This would mean for Phillips a total increase of about \$14-million per year—some \$35-million less than the company sought.

• **Phantom Taxes**—In determining the company's cost of service Zwerdling refused to accept the company's method of tax computation. He held that the only taxes that could be written off as costs were those actually paid.

Phillips had wanted to charge off as costs the amount of taxes that would have been paid without deducting for the 27.5% depletion allowance and for intangible well-drilling costs.

Zwerdling also differed sharply with the company's proposition that, in figuring the costs of exploration for both oil and gas, almost 62% of the costs should be charged to the gas search. The examiner held that only 30.5% should be attributed to gas.

The examiner recommended a 9.25% rate of return for the company—much higher than the 6% usually given natural gas pipeline companies. But Phillips had asked for 12% if its tax computation method was allowed, 18% if it wasn't.

• **One Man's View**—In making his own findings, Examiner Zwerdling disagreed with many views advanced by FPC's own professional staff. The staff had wanted to charge off a lesser amount of exploration costs to gas and to grant a lower rate of return.

Phillips officials indicated, in a statement following the decision, that the recommended rates don't provide sufficient incentive for companies to explore for needed gas supplies.

As Indexes

In 10 years of general inflation a good many items have declined in price (indicated by →) as others have risen (←).

Early in World War II, the captain of a U.S. cruiser in the South Pacific had an unsettling experience. He was feeling his way warily into hostile waters one moonless night when his radar room frantically reported a ship where he had no reason to expect one. The captain ordered "Commence fire!"

Just then the mysterious blip vanished. When the captain sat down to write his report, he didn't know what to say. Had he sunk an enemy ship? Frightened off a potential attacker? Or fired into an empty ocean?

• **Inflation Fears**—Somewhat the same problem has been facing economic policymakers for the last year or so. According to the way the official forecasters read the figures, the U.S. is threatened with serious inflation. Their fear is based largely on the fact that the recession did not stop the upward movement of prices. With business now on the upswing, they see the danger that prices could get out of hand entirely.

But the figures these forecasters are using are mostly index numbers, and index numbers are very much like the captain's radar blip—at best they are only a flickering reflection of the facts they purport to summarize.

• **Behind the Indexes**—To get back of the index numbers, BUSINESS WEEK statisticians have tried to reconstruct some of the actual prices that go into them. The results, based on the latest detailed reports from the Bureau of Labor Statistics, are summarized in the table at right—showing actual prices, in some cases estimated from indexes.

The first conclusion that stands out from the table is that there has been little or no sign of general inflation in the past year. Although the indexes edged up, the prices of many items either remained stationary or actually dropped.

For the past 10 years, though the trend has generally been upward, some items didn't participate at all, and others gained only a fraction.

• **Qualifiers**—Long-term comparisons are tricky, though. In as short a period as a decade, improvement or deterioration in quality, for instance, can make any such comparison hazardous. And even though prices of many machines with the same name have doubled, capital cost per unit of output may have dropped because of automation and technical changes.

Stay High, Many Prices Churn

ITEM	AVERAGE 1947-49	DECEMBER 1957	DECEMBER 1958	ITEM	AVERAGE 1947-49	JANUARY 1958	JANUARY 1959
INDEX—ALL ITEMS	100	121.6	123.7	INDEX—ALL ITEMS ..	100	118.9	119.5
INDEX—FOOD	100	116.1	118.7	Cotton drill, yd.	\$.275	\$.258	\$.258
Beef steak, lb.	\$.84	\$ 1.01	\$ 1.07	Cotton twill, yd. ....	.60	.52	.50
Pork chops, lb. ....	.75	.88	.89	Percale, yd. ....	.34	.28	.28
Chicken, lb. ....	.62	.46	.43	Suiting, wool, yd.	3.02	3.47	3.15
Bread, lb. ....	.135	.191	.196	Nylon, gray, yd.	1.26	.36	.34
Milk, qt. ....	.208	.258	.254	Acetate taffeta, yd. ..	.42	.26	.24
Butter, lb. ....	.80	.75	.74	Man's suit	28.93	30.76	29.08
Margarine, lb. ....	.38	.30	.29	Man's shirt, doz.	27.73	27.17	28.06
Oranges, doz. ....	.47	.63	.64	Man's shoes, pair	8.81	10.61	10.76
Potatoes, 10 lb. ....	.53	.60	.54	Sulphuric acid, ton ...	16.33	22.35	22.35
Coffee, lb. ....	.51	.90	.77	Chlorine, 100 lb.	2.26	3.15	3.15
Eggs, doz. ....	.74	.61	.58	DDT powder, lb. ....	.35	.22	.25
INDEX—HOUSING	100.0	127.0	128.2	Formaldehyde, lb. ...	.038	.045	.038
INDEX—RENT	100.0	136.7	138.7	Styrene, lb. ....	.147	.16	.145
INDEX—HOUSE OPERATION	100.0	129.6	132.8	Paint, inside, gal.	2.44	3.38	3.40
Laundry, 20 lb.	\$5.25	\$ 7.30	\$ 7.67	Paint, outside, gal. ...	3.92	4.83	4.80
Suit dry-cleaned	1.17	1.50	1.51	Citric acid, lb. ....	.23	.275	.275
Maid service, 8 hrs.	5.64	7.59	7.67	Alcohol, ethyl, gal. ...	2.25	.63	.68
Bath towel	1.01	1.08	1.09	Chloroform, lb. ....	.30	.30	.30
Dinnerware set	16.94	23.70	24.73	Penicillin, mil. units ...	.85	.078	.055
Axminster rug	62.38	97.87	94.44	Streptomycin, gram ...	1.55	.085	.05
INDEX—APPLIANCES	100	84.7	82.8	Vitamin C, kilo.	25.00	10.00	10.00
Sewing machine	\$158.50*	\$177.84	\$181.80	Household soap, lb. ..	.175	.132	.137
Refrigerator	340.80*	218.80	218.80	Detergent, light, lb. ..	.28	.30	.30
TV set, 21"	212.56*	198.32	197.89	Vinyl, lb. ....	.26	.27	.24
Toaster	22.29*	18.32	15.49	Natural rubber, lb. ...	.19	.26	.29
INDEX—APPAREL	100	107.6	107.5	Synthetic rubber, lb. ..	.19	.24	.24
Man's suit	\$38.18	\$ 46.54	\$ 47.15	Conveyor belting, ft. ..	3.26	5.79	5.79
Man's shirt	4.12	4.00	4.00	V-belt, ea.	1.62	1.62	1.96
Nylon hose	1.47	1.03	1.01	Book paper, 100 lb. ...	10.75	15.88	15.95
Man's shoes	10.80	14.20	13.88	Newsprint, ton	95.60	134.40	134.40
INDEX—TRANSPORTATION .	100	138.9	144.3	Grocery bags, 1,000 ..	3.10	4.84	4.84
Auto, new 4-door	\$1,813.00	\$2,451.00	\$2,603.00	Iron ore, ton	6.27	11.45	11.45
Tire	17.67	23.61	24.53	Pig iron, ton	40.49	66.00	66.00
Gasoline, gal. ....	.26	.34	.33	Structural steel, 100 lb.	3.09	5.94	6.17
Brake relining	19.21	27.36	27.40	Rail, carbon, 100 lb. ..	2.96	5.60	5.83
Bus fare .....	.10	.195	.20	Line pipe, 100 ft.	91.49	199.02	199.53
INDEX—MEDICAL CARE ...	100	140.8	147.3	Steel sheet, 100 lb. ...	4.39	7.09	7.30
Hospital room	\$ 9.34	\$ 17.64	\$ 18.35	Machine bolt, 100	1.28	3.11	2.87
Doctor's house visit	4.44	6.05	6.20	Wrench, ea. ....	.46	.72	.75
INDEX—PERSONAL CARE ..	100	127.0	129.0	Window glass, 50 sq. ft	3.02	4.42	4.39
Man's haircut	\$.95	\$ 1.54	\$ 1.55	Cement, bbl.	2.19	3.29	3.33
Permanent wave	11.21	11.23	11.24	Brick, 1,000	22.91	30.91	31.59
Razor blade .....	.05	.05	.05	Bathtub, steel, ea.	38.12	43.00	45.02
Newspaper .....	.059	.085	.086	Boiler, gas, ea.	211.46	248.02	248.04
Cigarettes, pack .....	.178	.24	.24				

*December, 1952

Data: Dept of Labor; BUSINESS WEEK Estimates

U.S. Draws Tourists From Abroad



FRENCH couple start their rubbernecking with a leisurely stroll up Fifth Avenue (above), then on to Times Square (below).

"Pleasure visitors" now outnumber all other categories, and add about \$800-million a year to nation's coffers.

M. and Mme. Best (pictures) of Strasbourg, France, are seeing America for the first time. They typify the growing stream of "reverse tourists" who are coming to the U.S. on sightseeing jaunts.

The Best's month-tour starts with a week in New York City. After that, they will visit Washington, D. C., and New Orleans en route to a two-week stay with a brother in Texas. Their rubbernecking will include standard attractions such as the Empire State Building and the Capitol. But their itinerary includes some surprising "musts" as well.

M. Best wants to ride a New York subway and an American elevator. He is impressed most by his sumptuous hotel room and by the cafeterias—"You have such a selection of foods."

Mme. Best windowshops avidly on Fifth Avenue, declares that American styles are two years ahead of those back home. She utters a "Zut alors" at a brasserie just like the one she imported two years ago. According to Mme. Best, the U.S. product lasts longer than its French counterparts. Most surprising to the Bests: "You have poverty here as well as tall buildings and big cars."

• **\$800-Million Bonanza**—The dollars the Bests spend here will add to an overlooked but expanding flow of income

into the U.S.—over \$800-million in 1958. Justice Dept. figures show that the number of persons admitted jumped from 686,250 in 1956 to 847,764 last year. More remarkable, the total for pleasure visitors outnumbered all other categories combined (including business travelers). And the pleasure visitor figures would probably swell even more if the true intent of all trips could be established.

Currency restrictions still stand as the most formidable barrier to travel to the U.S. France allows the equivalent of \$100 per person. Japan clamps a firm "no allowance" rule on pleasure travel to the U.S. But the shift in the last two years toward a favorable balance of payments with the U.S. has induced many countries to relax currency strictures. Denmark, which previously allowed no funds for foreign travel, now has removed all restrictions.

But even countries that crack down on pleasure trips loosen up on dollars for business trips. There is a story about three German coal magnates who, eager for a junket to the U.S., wired their local representative to scare up a coal convention for them to attend.

• **Promotion**—Sensing a trend, airlines and travel companies are promoting the U.S. as a tourist attraction. American Express has set up American Tour Units in 15 foreign cities to promote travel to the U.S.

One interesting discovery from this program: The top attractions for foreign visitors are Niagara Falls and Ford Motor Co.'s assembly lines in Detroit.





Spurning French cuisine, Bests begin their culinary tour with an alfresco hot dog . . .



. . . squander nickels at the Automat, where they discover a "new" food dispenser . . .



. . . end up with a soup-to-nuts dinner and floor show at the Copacabana night club.

NEXT STOP is observation tower of a Radio City building, for a view of skyline.

Power Directly From Fission

It's a step nearer, but not here yet. Los Alamos laboratory's cesium-uranium thermocouple worked amazingly well, but it isn't ready to displace atomic-steam plants.

Government scientists have found a way to get electricity directly from atomic energy. But the process—still very much in the laboratory stage—appears to hold little promise for large-scale production of cheap electric power.

While the process eliminates the necessity for the turbines, generators, and heat transfer equipment now used by atomic power plants, it retains the most costly portion of such plants, the nuclear reactor. And, despite preliminary reports to the contrary, the efficiency of the process—the proportion of nuclear energy converted to electricity—is still an open question.

• **Lab Stunt**—A team of scientists at the Atomic Energy Commission's Los Alamos (N. M.) Scientific Laboratory produced direct electricity in a research reactor this week after a three-year study of the problem. Heart of their process is a unique thermocouple, a device that produces electricity by joining two metals that are kept at different temperatures.

The Los Alamos group made its thermocouple of cesium, one of the rare earths, and uranium. This was contained in a triple-walled can. The outer aluminum shell, 2 in. in diameter and 5 in. long, enclosed a second aluminum can. A vacuum was maintained between these two by pumping. Inside the second can, oil was pumped around a third can of copper. The copper can contained a tiny— $\frac{1}{4}$ in. by $\frac{3}{4}$ in.—uranium rod and some ionized cesium gas.

• **How It Worked**—These cans were lowered into the laboratory's Omega West research reactor. Neutrons inside the reactor hit the uranium rod and caused it to fission, giving off heat. The cesium gas, however, was kept cooler by the flow of oil around the innermost can and by coolant water flowing through the reactor. Los Alamos scientists estimate the heat of the gas at its point of contact with the uranium rod at 3272°F. At the walls of the can, however, the temperature of the gas dropped to 572°F.

At such temperatures, electrons were peeled from the cesium and collected on the walls of the copper can. Lead wires from the can carried the electricity to meters closely watched by the scientific team. No use was made of the power, but a spokesman for the lab estimated that the output "was about the equivalent of 25 watts—enough to light a small bulb."

The Los Alamos group were especially elated over the durability of the thermocouple device. They originally planned a test of only a few minutes, but the device continued to produce electricity for nearly 12 hours.

"Even then," says a laboratory staffer, "they removed it from the reactor arbitrarily because they had all the readings they wanted. It was still turning out electricity."

• **Possible Use**—The laboratory declines to discuss its plans, if any, for future testing of the device, which it calls a plasma thermocouple. But, obviously, the next step is to operate a number of plasma thermocouples in series to obtain greater power output.

Laboratory officials talk down the possibility of producing power on a commercial scale with these devices.

They are by no means certain that the thermocouples are as efficient as conventional use of reactor heat. But they are excited about the possibilities for small power plants—for submarine or missile propulsion, for example. In such uses, the elimination of turbines and generators would be most important as a space-saving means.

Generating equipment accounts for a significant, though not decisive, share of atomic power plant costs. At the pioneer Shippingport plant, for example, it amounted to only \$17.5-million of the total cost of more than \$100-million.

• **Improving Efficiency**—What will count for the plasma thermocouple—or any other device for producing electricity from nuclear sources—will be its efficiency compared with that of harnessing reactor heat. Builders of atomic power plants estimate the heat process in the range of 20% to 30%, or a little better. Until recently, thermocouples had an efficiency rating of 1%. But a number of companies have developed thermocouples with 8% to 10% efficiency, and there are predictions that 20% may be attained.

Party for the Air-Space Age

Next week's World Congress of Flight at Las Vegas, sponsored by seven air groups, is billed as air industry's biggest show ever. But some grumble, and some won't come.

All next week the air age, the jet age, and the space age will combine into one all-enveloping era, with its center and focus in the Nevada desert resort of Las Vegas. That, at least, is the somewhat paradoxical promise held out for the first World Congress of Flight, opening in Las Vegas Sunday and billed by the seven major aviation organizations sponsoring it as the most comprehensive aero-space program ever presented.

The idea is to bring together in one place all aspects of aviation—manufacturers, commercial airlines, business and private fliers, educational groups, and the military—and, in the phrase of the sponsors, "to document and dramatize the full cycle of flight, from man-in-air to man-in-space."

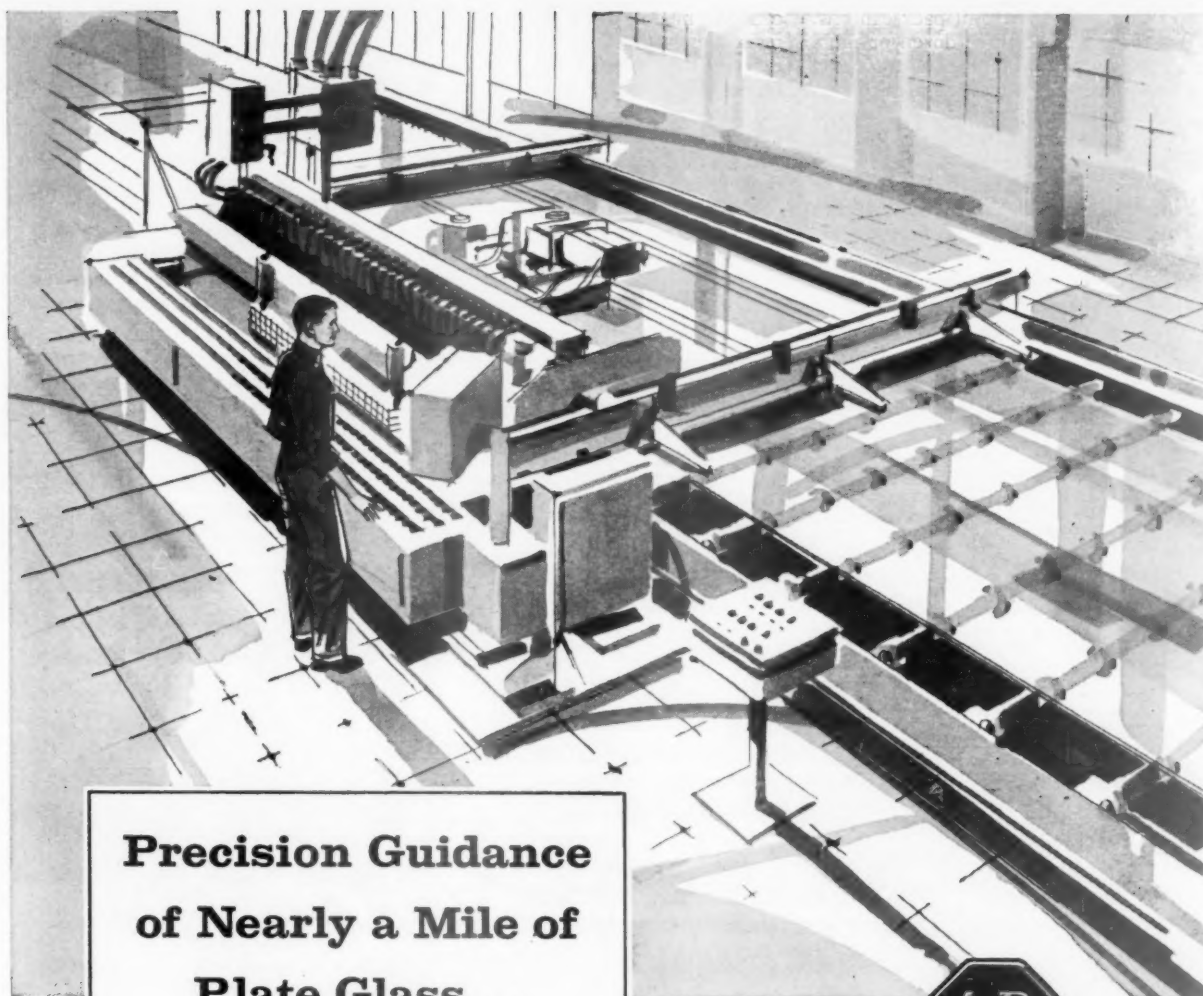
That's quite a billing to live up to, however, and this year's gathering may not quite make it. The "world" aspect will be a bit skimpy, with only five foreign exhibits against some 170 from the U. S. Nearly all major U. S. manufacturers of aircraft and equipment have signed up—after a reluctant start—but airline representation will be light. And some participants grumble that it will be another case of the "industry talking to itself."

• **Slow Take-Off**—The affair has some strong backing, and offers a comprehensive program of exhibits, meetings, and flight demonstrations; but it was somewhat slow in getting off the ground.

The idea was the brainchild of the Air Force. It got a ho-hum reception when it was first formally proposed last summer to the Aircraft Industries Assn., but the Air Force and the Air Force Assn. pushed the plan vigorously. Manufacturers gradually overcame their reluctance and signed up for exhibits—though at least one figures it was "snared into" the congress. The only major airframe maker that will not be represented is Boeing Airplane Co. of Seattle—for reasons it doesn't care to give.

The congress has also built up an imposing list of sponsors—the Air Force Assn. in cooperation with the Air Transport Assn., the Electronic Industries Assn., the Flight Safety Foundation, the National Aeronautic Assn., the National Business Aircraft Assn., and the Space Education Foundation. Forty other national and international organizations are actively taking part.

By the time the idea began to catch on, however, few foreign manufacturers



Precision Guidance of Nearly a Mile of Plate Glass...



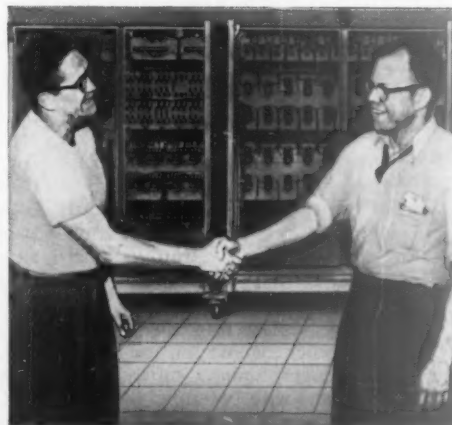
Controls by Allen-Bradley of course!

Automation became a reality in the cutting room at the new Pittsburgh Plate Glass Cumberland plant. In a unique process, a continuous ribbon of glass is produced and passed through various operations on its way to the cutting room. Here Allen-Bradley controls "take over" to cut, sort, and guide the glass to different stations. In this continuous process, the failure of a single control component—even for a moment—would result in costly production losses. Allen-Bradley motor control provides the reliability that is essential to this process.

Design simplicity is the key. A-B solenoid starters, contactors, and relays have only ONE moving part... your assurance of millions of trouble free operations. There are no trouble causing bearings or flexible jumpers. And the double break, silver alloy contacts—used with all Allen-Bradley control—never need servicing.

For uninterrupted operation of your automatic equipment, insist on Allen-Bradley... it's the motor control of proven reliability.

Allen-Bradley Co., 1332 S. Second St., Milwaukee 4, Wis.
In Canada: Allen-Bradley Canada Ltd., Galt, Ont.



A series of control panels such as this is used in the Pittsburgh Plate Glass cutting room. Above are shown the Allen-Bradley application engineers after completing the factory testing of the final panel.

ALLEN-BRADLEY | Quality Motor Control

had time to prepare and pack exhibits. But there will be three dozen or more foreign delegations, and educators from 20 countries are scheduled to take part in a forum on "aero-space education needs."

- **Scope**—The congress will live up to its all-inclusive prospectus at least visually. Displays will run the gamut from a 1912 Bleriot, the first to fly the English Channel, to the space capsule for Project Mercury, destined to propel the first American into outer space.

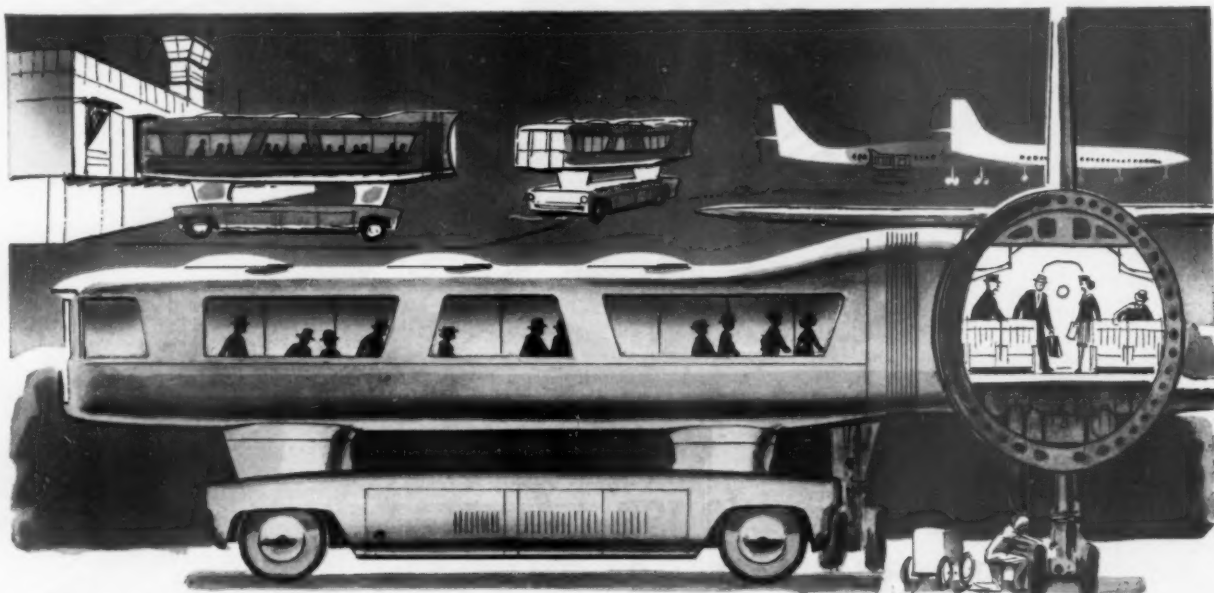
But the numerous scientific and edu-

cational meetings—for those who can resist the lures of Las Vegas—will understandably have a more immediate focus. They will concentrate on impending jet age problems and space and missile topics—though one or two will wander into such subjects as "air traffic control in the year 2000" and the "interaction between scientific progress and man's philosophical problems and outlook."

The more spectacular part of the proceedings will be the flight demonstrations at nearby McCarran Field,

and demonstrations of military flying and firepower at Nellis Air Force Base gunnery range.

Some critics complain that at Las Vegas the excitement—aside from the participants—will be confined to an audience that emerges largely at night, instead of spreading to a large population as it would near a metropolitan city. The sponsors answer that the congress will have full TV coverage, and that at Las Vegas it will have the advantage of the resort's brand-new \$4.5-million convention center.



MOBILE LOUNGE will eliminate long hikes and make it possible to construct terminal without expensive walkways to aircraft.

How Travelers Will Board a Jet

At Washington's new International Airport, "people pods" will ferry passengers from the terminal to waiting planes.

"People pods," big 80-passenger rolling ferries to carry travelers between terminal waiting rooms and aircraft (drawing), will be a jet-age innovation at the new \$100-million International Airport at Chantilly, Va., 35 minutes from downtown Washington, D. C.

This week, airlines and the Federal Aviation Agency agreed to use these mobile passenger lounges rather than build a terminal with two miles of octopus-like causeways leading to arrival and departure gates. The radical change in design was recommended as a money saver and convenience by the architects, Eero Saarinen and Ellery Husted, and engineers, Ammann & Whitney and Burns & McDonnell.

- **Adjustable Snouts**—At Chantilly, in-

stead of hiking half a mile or so from ticket counter to loading gate, passengers will ride in the people pods. Built like ferryboats on wheels, the pods will load from one end at second-story level of the terminal, then button up and lumber out to the departing aircraft. An adjustable snout at the other end, containing an extensible gangplank, will snug up to the aircraft's door so that passengers can walk aboard on the straight and level.

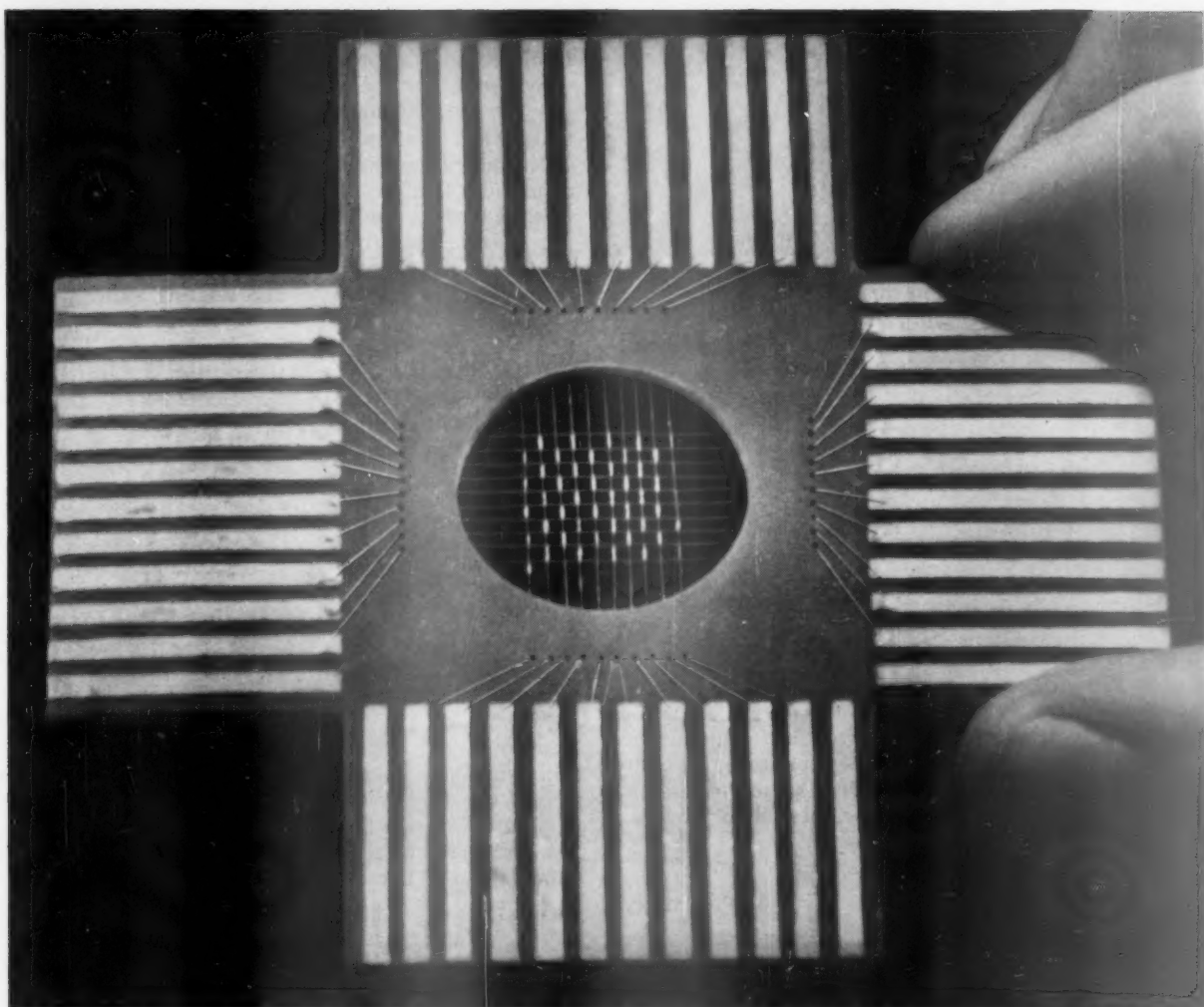
Inside the pods, passengers will find club-car seating for about 60, plus room for about 20 standees. Engineers picked the 80-passenger size by halving the maximum capacity of the largest jets. For these planes, which will have doors at both front and rear, two people pods will be used.

- **Avoiding Sprawl**—The FAA sees the mobile lounges as a basic solution to the problem of "terminal sprawl," a disease afflicting modern airports with their multiple causeways. The people pods will probably be expensive—initial

estimates run to \$100,000 or so apiece. But they will cost less than building a couple of miles of causeways. At Chantilly, they will make it possible to reduce the length of the terminal building from 11,000 to about 1,000 ft. They will also reduce noise, as the jet planes will taxi up to servicing pads a good distance from the terminal itself. The area nearest the terminal will be reserved for light planes and helicopters for which the mobile lounges won't be used.

When the Chantilly terminal opens in 1960, there will be 30 loading positions for people pods serving the same number of aircraft locations on the field. Eventually, if traffic builds up according to present forecasts, the terminal will have 100 loading gates and 120 aircraft locations.

FAA expects to award a contract for the first people pod soon. A prototype, first of a fleet of 20 to be ordered for Chantilly, should be ready by Jan. 1, according to present schedules.



New twist in memory devices. This simplified model illustrates the basic structure of the "Twistor" magnetic memory. Developed by Bell Telephone Laboratories, the Twistor depends on unique magnetic properties of high-nickel alloy wire.

They twist high-nickel wire to make a machine remember

A new child's toy? Hardly.

This tiny part is an ingenious new kind of magnetic memory. It may well be the heart of the computer of the future.

They call it the "Twistor." It takes advantage of the unusual magnetic behavior of a twisted high-nickel alloy wire.

A group of these wires, interwoven with other wires to form a screen-like grid, can store thousands of "bits" of information magnetical-


ly, ready to answer the call of the computer.

The result is a magnetic memory device that costs and weighs less, yet is more compact and rugged than conventional devices.

What makes the Twistor practical is a unique magnetic property found in the high-nickel alloy used for the wire: when twisted, its preferred direction of magnetization shifts from a longitudinal to a helical path. In addition, this alloy permits operation with very low currents so its minute

energy requirements are easily supplied by transistor circuits. And, of course, since the alloy is mainly Nickel, corrosion is no problem.

For new twists in design — or in solving metal problems, — Nickel or one of its alloys may offer what you are looking for. If corrosion, wear, high or low temperatures, stresses or fatigue are factors, let's get together to talk it over.

The International Nickel Company, Inc.
67 Wall Street  New York 5, N. Y.

INCO NICKEL

NICKEL MAKES ALLOYS PERFORM BETTER LONGER

In Business

• • •

North American to Buy Foster Wheeler To Strengthen Its Nuclear Position

North American Aviation this week announced plans to buy Foster Wheeler Corp., which makes boilers and other equipment for electric and marine power plants. The move gives North American a grip on two parts of the nuclear field:

- It gets a toehold on the exciting new nuclear submarine business, through Foster Wheeler's interest in a company set up in Britain last year by FW's British subsidiary, Rolls Royce, and Vickers. Thus North American follows the path taken by Lockheed, which bought Puget Sound Bridge & Dredging Co. in order to get into the field of nuclear-powered ships (BW—Apr. 4 '59, p38).

- North American strengthens its position in atom-fueled power production, through Foster Wheeler's solid contacts with the utility industry. FW has supplied components for several atomic power projects.

It's official at last that Westinghouse is building the new water-cooled reactor that will replace the sodium-cooled power plant in the Seawolf, the second atomic submarine to join the Navy. The sub will be back in commission next year.

• • •

American Airlines Selling 45 DC-6S To Ayer, Which May Take 36 More

American Airlines is selling 45 assorted DC-6s to Frederick B. Ayer & Associates, the dealer in used planes that has already bought 24 Convairs from American (BW—Feb. 14 '59, p157). The deal, for an estimated \$30-million, also gives Ayer first refusal on 36 more of American's DC-6s. The airline has thus arranged to dispose of 114 of its piston-powered planes, out of a fleet of more than 200 18 months ago. It's all part of American's switch-over to jets and turboprops.

• • •

Chemists Hear of Latest Developments In Paints, Lubricants, Medicine, Smoke

The American Chemical Society in Boston this week heard about these industrially significant developments:

A discriminating chemical "nose" that can detect 30 different components in the tiniest puff of cigarette smoke.

A paint-making technique that makes it possible to add pigments to long-lasting, chemical resistant polyurethane paints.

The possibility of producing a paint that works like the scales of a fish to keep out water.

A chemical technique for removing sulphur dioxide from combustion products of petroleum hydrocarbons.

Synthetic oils and greases that function at temperatures up to 1,000F and withstand five times the radiation that destroys conventional lubricants.

Niamid, a compound for overcoming severe mental depression, that has successfully passed animal tests.

Methohexital, an ultra-fast anesthetic that is highly potent but permits quick recovery.

A chemical compound that in animal tests has done double duty in killing pain and relaxing muscles.

The first orally active substance for protection against poisoning by mercury compounds.

Foamed plastic smoke that will float in still air hundreds of times longer than present smokes used for screens, skywriting, etc.

An electric membrane method of desalting liquids.

• • •

Reorganization at Royal Dutch/Shell Seeks to End Top-Level Duplication

The Royal Dutch/Shell industrial empire—largest in the world outside the U.S.—this week rejiggered its headquarters. The new setup draws a sharper line between petroleum and chemical activities, and increases the autonomy of the old subsidiaries, while adding four new ones. Above all, the reorganization seeks to eliminate duplication of activities between the London office (primarily finance and marketing) and The Hague (primarily production and operations).

• • •

Dry Law Gets Teeth After 52 Years, So Oklahoma Votes to Kill It

Harassed by thirst at last, Oklahomans this week voted out the dry law that had bothered them so little for most of their 52 years as a state. Six previous attempts at repeal had been drowned in a \$100-million-a-year flood of bootleg whiskey. But this year state police cracked down on bootleggers and drinkers (BW—Mar. 21 '59, p32), and the citizens promptly voted wet by an 80,000 margin, also rejecting county option. Now package stores are expected to be open by July 1—legally.

• • •

Oil Majors Face Antitrust Action

The Justice Dept. is preparing antitrust action against major oil companies, following charges by the National Congress of Petroleum Retailers that 10 majors control prices through commission and company-operated stations in 20 states and the District of Columbia. Antitrust chief Victor R. Hansen has informed Rep. James Roosevelt (D-Calif.), who heads a House subcommittee on marketing problems, that the dealer charges have been narrowed down to several areas where evidence is now being developed.



Modern Appliances Invite Homemakers to Push a Button—Make Hours for Family Fun!

Today's homemaker snaps a switch here, touches a button there, and a whole battery of ingenious mechanisms take over the once tedious chores of washing and ironing, cleaning, preparing meals, and dozens of other household duties.

Automatic washers and dryers, refrigerators, ranges, dishwashers, and half-a-hundred other appliances not only make life easier, but give "time" a new value in terms of recreation and relaxation for the whole family.

Vast numbers of improvements in operating ease, dependability, and service life of automatic appliances are the result of continuous research and development work on the part of the appliance industry and its suppliers.

As a supplier to practically all phases of the appliance industry, Eaton is a part of this program of continued progress. Its Foundry Division supplies permanent mold gray iron castings which provide the porous-free structure and uniformity so necessary in such applications as refrigeration compressors, washing machine mechanisms, and electric irons. Other Eaton Divisions supply springs, gears, powdered-metal parts, and a wide variety of time-saving industrial fastening devices.

In both its research and production activities, Eaton works in close cooperation with its manufacturer-customers, making the products of industry better than they might otherwise have been.

EATON PRODUCTS

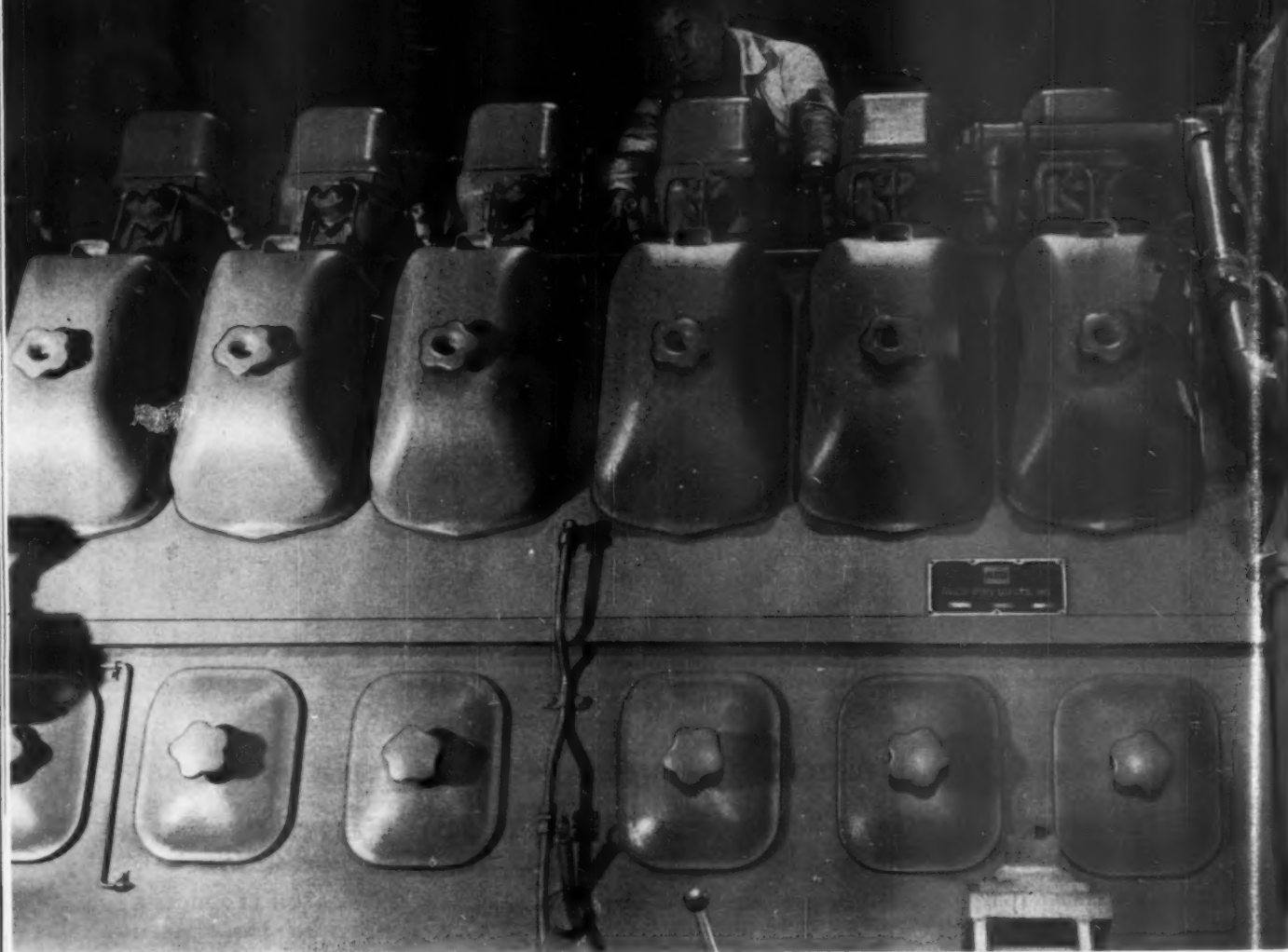
Engine Valves • Hydraulic Valve Lifters
Tappets • Valve Seat Inserts
Jet Engine Parts • Hydraulic Pumps
Motor Truck Axles • Axle Shafts
Truck Transmissions • Trailer Axles
Permanent Mold Gray Iron Castings
Powdered Metal Parts • Stampings
Heater-Defroster Units
Automotive Air Conditioning Systems
Fastening Devices • Cold Drawn Steel
Spring Lock Washers • Gears
Differentials • Speed Reducers
Centralized Lubrication Systems
Variable Speed Drives
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Magnetic Clutches • Plastic Parts
Hydraulic Control Valves



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ALCO DIESEL ENGINES



ALCO 251 diesel engine, shown ready for shipment, is lowering costs in pipeline, drilling, marine, power generation and railroad service.

THE NEW MODERN POWER IN DIESELS

To the operator of large diesel engines, dependability and efficiency count most. Dependability, because the engine is usually the prime power source for his operations. Efficiency, because even small percentage reductions of fuel and lube oil represent big dollar savings.

The ALCO 251 diesel engine measures up to both of these important requirements. Its power-assembly life has been extended for reliable operation over many years. Fuel and lube oil consumption is so low that it is saving its operators thousands of dollars each day.

The 251 diesel is built in three sizes—in-line six, V-12 and V-16 cylinders, from 900 to 2400 hp. All models are turbocharged. To service the almost 16 million ALCO diesel horsepower already built, ALCO maintains a nation-wide service organization, with four regional parts warehouses.

There are even more reasons why the ALCO 251 is the new, modern power in diesels. Your nearest ALCO sales office will be happy to tell you about them, or write: ALCO Products, Inc., Dept. 113, Schenectady 5, N. Y.

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ALCO

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
APR. 11, 1959



The GOP's hopes for 1960 are on the rise. It still is hard to find a partisan so bold as to predict a grand slam—Congress and White House. But the black gloom that settled after last November's sweep by the Democrats is lifting a bit. Here's why:

Eisenhower advisers say the business rise will continue and might well make 1960 the best of the postwar years.

Unemployment, an issue in last year's elections, might well wash out as a political argument, if the forecasts are correct:

Employment will set new highs—with more than 64-million people at work. GOP politicians would make much of this.

Wages will be at record levels.

Profits will be high—probably the highest ever.

And peace seems probable. There's little thought among the officials of Eisenhower's Administration that the coming Berlin showdown will erupt into war. Things will be tense. But betting is against shooting.

Republicans sum up their hopes this way: With peace and prosperity, the public will be much less inclined to change White House leadership. Men within and without the Administration are busy writing a record to be used by candidates in next year's elections. They talk privately of potent political bait.

The hold-down of spending next year will be relaxed a bit. Eisenhower will, in his final year, be a little more open handed—for such things as schools and community improvements.

A general tax revision is under consideration. This won't mean a tax cut for all. But there could be a reshuffling of the tax burden that would give a little relief to individuals and provide new incentives for investment on the business side. The idea appeals to Eisenhower.

It all assumes a new boom—a big, new rise in income, individual spending for consumer goods, and business spending for plant and equipment. This also will mean more revenues for Uncle Sam.

—•—

The outlook will influence GOP internal politics, too. You will see a real fight in the nominating convention next year.

Rockefeller, the New York governor, will make a real try. Since his victory last year in the New York race, he has had one big reservation about trying for the Presidency next year. That reservation was the business outlook. He's convinced now that it's good.

Nixon, the Vice-President, is the man he will have to beat for the Presidential nomination. Nixon has advantages. He has worked longer for the party than has "Rocky." He stands better with the political "pros" as a party organization man. But Nixon is being subjected to the same campaign that stopped Sen. Taft years ago and opened the doors to Dewey and Eisenhower. The campaign slogan is: "He's a good man, but he can't win" the election. The Democrats push this slogan, too.

On the Democratic side, there is real in-fighting. After last November

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
APR. 11, 1959

the Presidential nomination became a major prize. And congressmen, particularly senators, are lining up for a real race.

Sen. Johnson, the Democratic leader, has strong support of his party's professionals. But labor, the big ally of the party, is cold to him. Note the recent attack on Johnson by Sen. McNamara of Michigan. McNamara usually takes his cues from the unions. Reuther never hides his dislike of Johnson. And Johnson is disclaiming Presidential ambitions.

Sen. Kennedy of Massachusetts has a strong following. He is popular, particularly among women voters. But many Democrats say he can't win the No. 1 spot, because of his religion and youth.

Sen. Humphrey of Minnesota is the favorite of the New Deal wing. He's out to stop Kennedy, will take Kennedy on in the early preferential primaries next year. But Humphrey will be weakest in the South.

Sen. Symington of Missouri will come to the convention with the blessing of ex-Pres. Truman, whatever that's worth. Truman didn't cut much ice in the 1956 convention.

Some smart money is on Stevenson, the two-time loser.

Here is the figuring on this: Many senators have wanted to be President. But over the years, few sitting members have ever made the grade. (Harding was the last to go from the Senate to the White House.) Another point is that Stevenson has been able to get Northern and Eastern support in the past two conventions, without losing the South.

Big labor is in a big sweat about reform legislation.

The showdown is near. The Senate probably will begin debating the mild Kennedy-Ervin bill within the coming week. That legislation, which has AFL-CIO backing, may run into much more trouble than has been anticipated. If it does, a tougher reform law may get through.

The man to watch: Arkansas Sen. John L. McClellan. If there is to be a really strict labor bill, McClellan will swing it.

Here's why labor is worried. McClellan has considerable personal influence in the labor field on Capitol Hill, owing to his well-publicized investigations of union corruption. On both sides of the reform issue, the feeling is becoming strong that by a hard fight he can pick up enough support from the uncommitted center either to carry the question, or to make the outcome quite close.

Note the deeper implications of this situation.

Revitalization of the GOP-conservative Democrat coalition is the real basis for any feeling, no matter whether it ultimately proves right or wrong, that the 86th Congress might write a tough labor law.

How strong is the coalition? The impending labor reform debate will supply the best answer. But it is already apparent that big Democratic gains last fall in the North, East, and West did not, contrary to some first impressions, kill off the coalition.

It has, at least, great negative powers. For one example, look at the depressed areas bill that squeaked through the Senate 49 to 46. The minority—not strong enough to stop the bill but strong enough to sustain an expected veto—consisted of 30 Republicans and 16 conservative Democrats.

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Beauty in the boiler room

Here's how coal is burned the modern way



Carlisle Finishing Co.
A Division of Cone Mills Corporation
Greensboro, N.C.

You are looking down the firing aisle in the power plant of the Carlisle Finishing Company, Carlisle, S. C.

Like many other firms, this plant uses coal for its economy and availability. For maximum efficiency in steam generation, the coal is handled and burned by completely modern, automatic equipment.

But Carlisle has gone a step further in burning coal the modern way.

In keeping with its cleanliness of operation and pleasant atmosphere this plant has been painted in smart, cheerful colors. The result, as you can see, is a handsome interior reflecting the good taste that is prevalent throughout the entire operation of the Carlisle Finishing Co.

Modern coal burning is not only an *efficient* process . . . it can be *good-looking*, too.

BITUMINOUS COAL INSTITUTE

Dept. BW-04, Southern Building, Washington 5, D. C.

NEW FERTILIZER FILLING STATIONS FROM ALLIED CHEMICAL

IDEAS FOR NEW PRODUCTS

New liquid fertilizers save time, labor. Allied Chemical nitrogen fertilizers—in solution form—enable farmers to spray hundreds of acres a day. Now, another new idea from our Nitrogen Division: fertilizer filling stations, in prime agricultural areas. Farmers can drive in, with tank-truck or applicator, and “fill ‘er up” as easily as buying gasoline.

...where people with ideas open doors...

IDEAS THAT IMPROVE PRODUCTS



☐ Forests fertilized from the air.

Forests, our only renewable resource, are now being fed with Allied fertilizers—just like crops—to improve timber yield, color and vigor of foliage. Question: How can huge woodland tracts be fertilized? Answer: By air drop. “Crop duster” planes release their cargoes of nutrients in just minutes per acre.

Low-cost, long-lasting weed control. ☐

Sometimes it's important to *stop* things from growing! For example, a single application of UROX herbicide keeps this highway guardrail weed-free up to 18 months. An idea of our General Chemical Division, UROX was developed to eradicate unwanted weeds and brush in industrial, railroad, utility, and other non-crop areas.



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IDEAS THAT CUT COSTS



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An ideal, smartly styled arrangement for the receptionist who requires a clear desk top and ample drawer and cabinet storage facilities.

handsome appearance . . . matchless efficiency



Spacious secretarial desk arrangement with files, records, stationery supplies at fingertip reach. Auxiliary top at business machine height.

combine for your benefit in executive techniplan



Typical custom arrangement for the business executive includes suspended file drawer, generous storage space, wall-mounted bookcase.

Globe-Wernicke executive techniplan, embodying every advanced feature of comfort, convenience, and luxury, will be a constant source of pride and pleasure. The sheer beauty of its contemporary design will immediately transform your present office into an exciting and completely functional working environment. And, because of modular construction, Globe-Wernicke metal Executive Techniplan can be easily arranged to suit your special needs, yet, stay within the confines and space limitations of your present accommodations. Components include varied-sized Desk and Auxiliary Tops, Drawers, Bookcases, Cabinets, Storage Units, Credenzas, End Legs and Panels, Custom Hardware, and 240 different Color Harmonies.



New, free brochure in full color shows many arrangements, diagrams and color schemes for Executive Techniplan. At all G/W Dealers* or write us direct—Dept. A-4

Globe-Wernicke
makes business
a pleasure



The Globe-Wernicke Co. • Cincinnati 12, Ohio

*Dealers listed in Yellow Pages under "Office Equipment"

MARKETING

The Top 20 Retailers: 1958 Score

These chains moved up

RANK 1958	COMPANY NAME	1957 RANK	1958 SALES (in thousands)	% CHANGE FROM '57	EARNINGS 1958 (in thousands)	% CHANGE FROM '57
1.	Atlantic & Pacific Tea Co..	1.	\$4,900,000**	2.1%	\$51,600**	2.0%
2.	Sears, Roebuck	2.	3,721,272	3.3	165,788	2.9
3.	Safeway Stores	3.	2,225,352	5.1	33,406	8.1
4.	Kroger	4.	1,776,174	3.6	21,629	4.8
5.	J. C. Penney.....	5.	1,325,604	1.1	46,876✓	-5.1
6.	Montgomery Ward	6.	1,092,267	1.7	28,030	-5.6
7.	American Stores	7.	874,500	4.4	10,843**	3.3
8.	F. W. Woolworth	8.	864,571	4.9	32,376	-2.9
9.	National Tea	9.	794,162	16.6✓✓	8,841	9.8✓✓
10.	Food Fair Stores.....	12.	740,000*	23.2	9,350**	-2.9
11.	Winn-Dixie Stores	13.	675,000*	14.7*	13,500	10.0
12.	Federated Dept. Stores...	10.	650,000*	2.4	27,000*	8.1
13.	Allied Stores	11.	644,000**	1.9	11,700**	-5.3
14.	May Dept. Stores.....	14.	540,000**	1.5	19,000**	-6.0
15.	First National Stores.....	15.	531,500*	1.9	8,982**	2.1
16.	Grand Union	18.	503,740	17.7	5,385**	9.8
17.	R. H. Macy.....	16.	457,714†		2,328†	
18.	Jewel Tea	19.	443,813	7.1	7,808	12.2
19.	Colonial Stores	17.	437,132	-1.1	4,849	-22.0
20.	W. T. Grant.....	20.	432,241	6.4	9,850	1.4

* - Company estimate

** - BUSINESS WEEK estimate

✓ - based on 13 months

✓✓ - 53 weeks against 52 weeks

† - 52 weeks ended Nov. 1, 1958

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Slump Left Its Mark

Minus signs are slightly more plentiful among the 1958 sales and earnings figures for the nation's top retailers (table)—evidence of the recession's impact during the first half of the year.

In the previous few years, every one of the top 20 scored an annual increase in sales. Last year, though, one chain—Colonial Stores—showed a decline in sales volume, and seven big retailers suffered dips in net income. Two of these were food chains, which usually manage to wind up the year ahead in earnings. And the percentage drops were generally more severe than in recent years.

• **Still Up**—Despite this somewhat somber note, over-all sales figures add up to substantial growth. Sales increases ranged from Food Fair's 24.2% to J. C. Penney's 1.1%, more modest but computed on a much larger base. It took sales of \$432-million to admit a retailer to the top 20, up from \$325-million just three years ago. In all, the top 20 sold some \$24-billion worth of merchandise—about 12% of the \$200-billion in consumer spending last

year at all types of retail stores.

For most chains, the rate of growth slowed a bit. However, five chains—Sears, National Tea, Food Fair, Winn-Dixie, and Grand Union—reported a bigger percentage increase over the year before than in 1957.

This time, the top 20 companies are the same as last year, but several of them shifted position.

• **Fastest Growers**—As usual, the food chains were the fastest growing retailers in both sales and earnings, though the improvement was less marked than in the past. Sales of 6 of the 11 chains increased more slowly than before; Colonial Stores dipped 1.1% below 1957. On the earnings side, Colonial dropped 22%. Pres. Joseph Seitz attributed the slump to depressed conditions in some parts of the chain's 11-state market and to higher outlays for promotion and merchandising made necessary by heightened competition. Despite this setback, Colonial opened 34 markets last year to bring its total to 473 units, and it plans to add another 37 soon.

Four food chains that have been

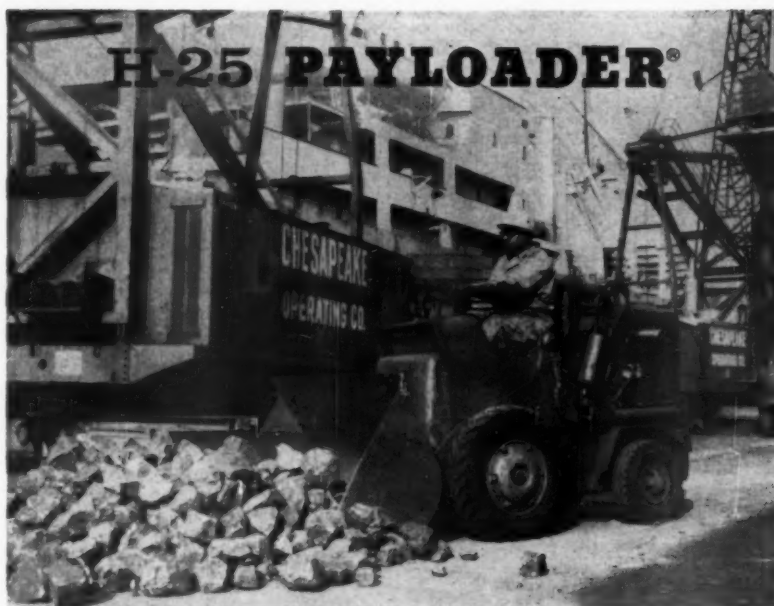
growth leaders for several years—Food Fair, Winn-Dixie, Grand Union, and Jewel Tea—moved upward in the ranks last year. The first three, relative newcomers by contrast with such long-time retailing giants as A&P, have been expanding through mergers and store openings—a characteristic of the post-war food field. Supermarkets have become the dominant factor in the retail food industry, and chain store operations dominate among supermarkets. Last year, according to Super Market Merchandising, an industry publication, supermarket sales reached a record \$28.6-billion—or 64% of all food sales. Some 87 companies out of a total of 51,144 accounted for 62% of the supermarket tallies.

• **Best Improvement**—Food Fair's 23.3% was the biggest sales improvement of any retailer among the top 20. Jumping from 14th to 10th place in three years, Food Fair pushed annual sales from \$475-million in 1955 to last year's estimated \$740-million. It has expanded both by opening markets and by merger. Last year it purchased Setzer Stores, Inc., with 38 markets, which does about \$22-million yearly. The deal with Best has been challenged in the courts by Penn Fruit Co., however.

Another chain on the move, Grand Union, scored a 17.7% jump in sales to a record \$503-million, and it topped 1957 earnings by an estimated 9.8%. In 1955, Grand Union was not even among the top 20. It crashed the list in 1956 in 19th place, now ranks 16th among retailers and 8th among food chains. During 1958, Grand Union opened seven huge Grand-Way Discount Centers, heavily stocked with such unorthodox food supermarket items as major appliances and clothing (BW—Apr. 4 '59, p92). In addition, it opened 50 conventional supermarkets and acquired 75 more, to close the year with 472 outlets in 11 Eastern states.

• **Southern Giant**—Jacksonville, Florida's Winn-Dixie continued to improve its position. It became one of the top 20 retailers in 1955, when it annexed 15th position. Last year, a 14.7% sales gain pushed it from 13th to 11th. And its 10% improvement in profits was second only to Jewel Tea's 12.2%. Much of Winn-Dixie's growth has come through acquisition. But during the past six months, the chain opened 45 stores and bought 2 others. At present, it plans 45 more new units in its present territory.

The showing of the larger chains was not so spectacular, but it was still satisfactory. A&P added \$200-million to sales to bring them within striking distance of \$5-billion. Although maintaining its policy of preserving a lower ratio of profits to sales than many food



New tractor-shovel takes the work out of heavy handling

Frederick Buffington, ore superintendent of Chesapeake Operating Company, a large bulk-ore handler at Eastern U. S. ports, says, "the Model H-25 'PAYLOADER' with its shorter turning radius, power-steer and power-shift transmission wins the battle for us in our heavy ore handling work. It's a faster all-around operation because of its pry-out bucket action." This firm, along with its parent, Lavino Shipping Company, has more than 9 years experience operating 'PAYLOADER' tractor-shovels in ship's holds, on barges and docks. They use 10 units at various ports.

MAXIMUM CARRY CAPACITY

The Model H-25, with its 2,500-lb. carry capacity, can carry more load for its weight than any tractor-shovel in its class . . . and, has a turning radius of only 6-ft., clears narrow box car doors.

FAST, EASY OPERATION

Power-steering and *complete* power-shift transmission, with 2 speeds forward and reverse, assure big production with the least operator effort.

RELIABLE TRACTION

It's the only machine in its size range with power-transfer differential that maintains more effective traction at all times.

FULLY PROTECTED

The H-25 has many other *plus* features that mean more production,

long life and less maintenance: closed hydraulic system, triple air cleaner, full-shift fuel capacity, oil and grease seals on vital pivot points, 4,500-lbs. of bucket breakout force and 40° bucket tip-back.

For a flexible, economical indoor or outdoor handling system, check the H-25 and 6 other "PAYLOADER" sizes up to 9000-lb. carry capacity. Many attachments, easily interchanged with the bucket, are available that multiply "PAYLOADER" tractor-shovel versatility even more.

HOUGH®

THE FRANK G. HOUGH CO.
LIBERTYVILLE, ILLINOIS
SUBSIDIARY — INTERNATIONAL HARVESTER COMPANY

THE FRANK G. HOUGH CO. 700 Sunnyside Ave., Libertyville, Ill.	
Send me more data on the model H-25	
Name _____	Company _____
Title _____	Street _____
	City _____
	State _____

4-A-5

"... this year merchants are looking for sizable gains ... first-quarter sales outpace 1958 period ..."

STORY starts on p. 45

chains, (approximately 1%), A&P, last year, tucked away a very comfortable \$1-million more in earnings than in 1957.

At Safeway Stores, improving the profit margin was a major aim of new management that took over in 1956 (BW—Apr. 13 '57, p63). That year, Safeway's profits increased 86.6% on a 3% gain in sales. Last year the company achieved an earnings-to-sales ratio of 1.5%, its highest in 20 years. Safeway opened 209 stores last year and closed 125 outmoded units to end the year with 2,117 outlets. This year, it plans at least 200 new stores, including two at Anchorage, Alaska. It will be the first major food chain to invade the new state.

• **Other Chains**—Among non-food merchants, the picture is generally drab, though there are a few spots of color. Sears, for instance, performed better than in 1957; it had a 3.3% increase in sales volume and a 2.9% gain in profits. Federated Department Stores, which made top spot among department store chains last year, upped sales 2.4% and profits a healthy 8%. R. H. Macy's figures for the fiscal year are unavailable, but it expects improvement in both sales and earnings. At W. T. Grant, sales hit record levels and profits were up.

Like other retailers, Grant reports that its gains came almost entirely in the last half of 1958, especially in the last quarter, as buying picked up and the recession ended. But for many stores, the improvement wasn't enough to offset poor results in the first half. At J. C. Penney, Montgomery Ward, Allied Stores, and May Department Stores, the prevailing trend was slightly improved sales and decreased earnings.

Last year, May merged with Hecht Co., an 11-store chain with annual volume of \$105-million. As a result, May will be crowding Federated for top position this year. In its first move into the Southwest, May also bought Cohen Bros. in Jacksonville.

This year merchants generally are looking for sizable gains with consumers displaying a readiness to part with increased personal income. In the first quarter, sales have substantially outpaced the 1958 recession period, helped along by an early Easter. Total retail sales are expected to climb 5% to 10% to another record. **END**

YOU'RE JUDGED BY **your words**



YOU'RE JUDGED BY **your printing**

Words acquire meaning from the manner of the speaking. When you show respect for your audience you are sure to gain respectful attention.

The same is true of the printed word. Words gain or lose meaning from the quality of the print and the paper. Your message wins the respect of its readers when it is well presented through well-printed literature. You'll gain the respectful attention that so often leads to sales.

For respectful printing, see a good printer. See him in the early planning stages of any printed piece. A good printer can show you many ways to put extra quality into your booklets at little or no extra cost. The chances are Warren's papers will be included in his recommendations. He gets good results with Warren's and so will you. *The S. D. Warren Company, 89 Broad Street, Boston, Mass.*



**printing papers
make a
good impression**

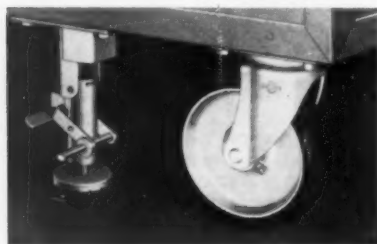
FIRST MULTI-JET SEAPLANE



On land Bassick Casters aid handling of Martin P6M

The P6M Martin SeaMaster, world's first multi-jet seaplane, made by The Martin Company, Baltimore, Maryland, will soon begin operational trials.

On the forward entrance ladder (above) you can see Bassick Series "77" casters and position locks. Point we'd like to make is that even a seaplane puts Bassick casters on the ground crew. Countless other products and other companies of all kinds have modernized materials handling with Bassick casters... an idea you might consider.



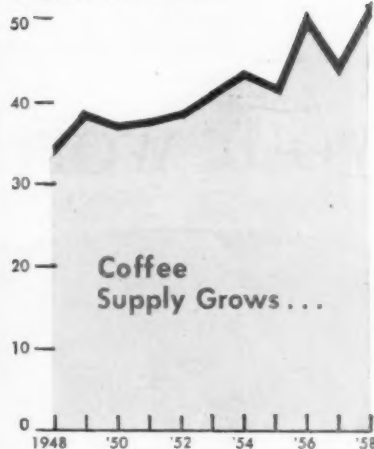
Interesting handling idea: Casters plus position locks

Casters move equipment to the job. Position locks hold equipment steady in operation. The combination lets you mobilize equipment once considered to be stationary such as ladders (top photo), scaffolds, maintenance trucks... even machine tools.

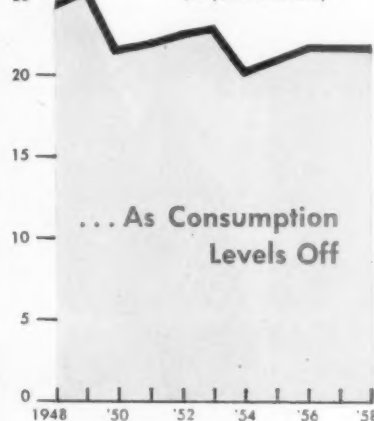
Bassick casters are available for loads ranging from 10 lbs. to 10 tons... with many kinds of wheels, plate and stem construction. Your Bassick distributor can show them to you. THE BASSICK COMPANY, Bridgeport 5, Conn. In Canada: Belleville, Ont. 9.20



1,000 Bags—132.276 lb. Each



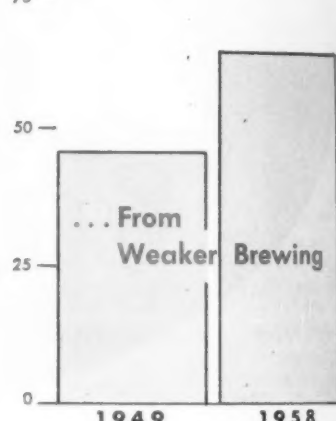
U.S. per Capita Consumption in lbs. (15 years and over)



Wholesale Price—Cents per lb. Santos #4 B.R.



Cups per lb.



Data: Dept. of Agriculture, Pan-American Coffee Bureau surveys.

© BUSINESS WEEK

Giving Coffee More Zest

The coffee industry is brewing what it hopes will be a two-way solution to its oversupply problem (charts):

- Latin American countries producing coffee have agreed at a meeting in Washington (though the U.S. refused to set import quotas) to set export quotas for the next two crops.

- The Pan-American Coffee Bureau stepped up its campaign to get people to use more coffee per cup.

The price situation reflects the seriousness of oversupply which has the industry so worried. In 1954, prices hit their record peak of 78.3¢ a lb. wholesale; now they're down to 37.5¢. Retail prices have skidded, too—from 92¢ a lb. can in 1957 to around 80¢ now.

- The Problem—One flaw in the quota plan is Africa's unwillingness to participate. African countries produce about 9-million of the total world crop of 40-50-million bags each year (a bag is 132.276 lb.). African coffee has been

grabbing a bigger share of the U.S. market, especially for instant blends. The U.S. is taking twice as much as a few years ago. It also imports about 17-million bags from Latin America.

- Weak Brew—On the consumption side, the trend is deceptive. In cold figures, the world consumes only about 38-million bags, well below production totals. Yet a survey by the Coffee Bureau in the winter of 1958 indicates an increase in the U.S. from 2.38 cups per day for Americans more than ten years old in 1950 to 2.87 cups per day at the time of the survey.

The trouble is that during wartime and postwar shortages the industry convinced the American housewife that she could make palatable coffee by shorter measures. Today the average family gets 64 cups from a pound compared with less than 50 cups in 1950. Now the Coffee Bureau hopes to teach housewives to use more coffee per cup. **END**

Look at the amazing things Alcoa Industrial Foil is doing!

NOW THEY'RE EVEN WATERPROOFING HOUSES WITH ALCOA ALUMINUM FOIL

No wonder there's a flurry today in building circles. Imagine metal flashing that costs less than nonmetallic materials . . . that can be formed by hand, cut with ordinary shears . . . that makes a tight fit to all contours, angles and irregular surfaces.

Called *Aluminum-Champ* by its makers, this new wonder material is ALCOA® Aluminum Foil asphalt-bonded to heavy-duty creped paper. The foil is reinforced with glass fiber yarn and protected by a special surface coating developed by Alcoa research to withstand corrosive action of salts, acids and alkalis.

Now, permanent waterproofing is no longer a "custom" feature. *Aluminum-Champ* puts quality metal flashing within the budget of every mass-home builder. You can't see it, of course, but metal flashing keeps a house moistureproof for life—at roof and sidewall junctures, corners, ridges, windows and doors . . . in foundation walls for damp-proof basements . . . wherever beams bear on outer masonry walls. There's almost no end to important applications.

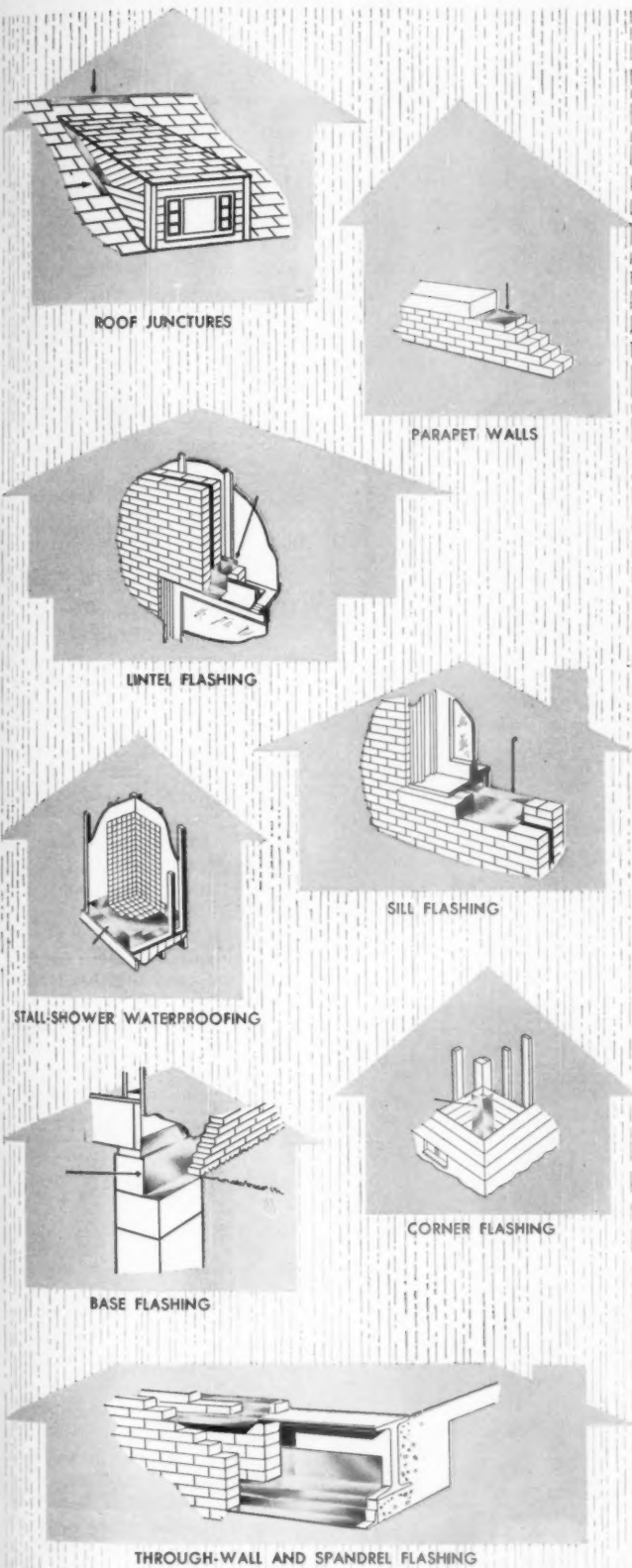
ALCOA does not make concealed flashing, but we will be happy to put you in touch with the manufacturer who does. We make Alcoa Aluminum Foil, the versatile material that forms, colors, twists, combines with other materials, weaves into cloth . . . plays an essential role in hundreds of industrial applications.

Tell us your design or manufacturing problem. Perhaps Alcoa Foil is the answer. Write ALUMINUM COMPANY OF AMERICA, INDUSTRIAL FOIL DIVISION, 1670-D Alcoa Building, Pittsburgh 19, Pennsylvania.

Look for this label . . . it's your guide to the best in aluminum value



For exciting drama watch "Alcoa Theatre," alternate Mondays, NBC-TV, and "Alcoa Presents," every Tuesday, ABC-TV



Leisurely Sell Catches Fishermen



OUTSIDE demonstration helps a sale, as Mills' salesman Irving Kaye's umbrella protects customer trying out rod. The business, 137 years old, has been at same location 62 years.

INSIDE shelves and fixtures came from old store in 1897, are packed with 3,510 items: Mills plans fluorescent lighting because customers break rod tips on light cords.



Veteran New York fishing tackle shop sticks to old-time selling methods, but customers and orders come from all states.

For the sleepy looking shop you see in the pictures, close to New York City's Wall Street section, April showers mean not the proverbial May flowers but May flies. It also means the opening of the trout season and an influx of fishermen bounding out of hibernation and itching to get on the stream.

An influx—but no rush. For the shop, belonging to 137-year-old William Mills & Sons, Inc., pursues its leisurely Victorian business ways at 21 Park Place, almost in the shadow of Wall Street's bustling skyscrapers. It makes its bow to modern marketing methods with one advertisement a year and the mailing of its annual catalogue.

But the sale of fishing tackle is a highly individual matter. And it's a tribute to the effectiveness of the "leisurely sell," and the accumulated fame of seven generations of tackle salesmen, that letters addressed to "Mills Fishing Tackle, U. S. A." are delivered to the Park Place shop.

• **Veteran**—The Mills store may well be the oldest tackle shop in the world dealing exclusively in the thousand and one sundry items essential to enthusiastic Waltonians. At any rate, it has claimed this distinction for 50 years without discovering any rival claimant. And the company is certainly one of the few in any business that has remained a family affair for 137 years.

For the last 62 years the shop has been in the same spot and virtually unchanged. Arthur Mills, Jr., the mild-spoken vice-president and general manager, can recall no alteration in it.

The company started as T. & J. Bate in the fishhook and needle trade in Redditch, a suburb of Birmingham, England, and sent a man to New York in 1822 to open a shop. He found a boom in the sport fishing tackle business; so over the years the family moved to New York and brought son-in-law William Mills to tend shop.

• **Manufacturer**—Today, William Mills & Son, Inc., manufactures a large part of the equipment it sells. It controls two fly-tying factories in upper New York state and a fishing leader factory on Long Island. The Mills family also owns the stock of H. L. Leonard Rod Co., of Central Valley, N. Y., and the Mills company is sole agent for its production of about 500 rods a year.

The H. L. Leonard fly rods, selling at

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LEE WULFF, internationally known fisherman and outdoor movie producer, looks over a Penn Senator big game reel.

LAWTON CARVER, New York restaurateur, inspects a Parmachene Belle dry fly. Mills has over 350 patterns.



OLD customer, Edwin C. Vogel (left), retired chairman of executive committee of C. I. T. Financial Corp., makes purchases from salesman Frank Schneider, with Mills 45 years. Vogel has been customer for 25 years.



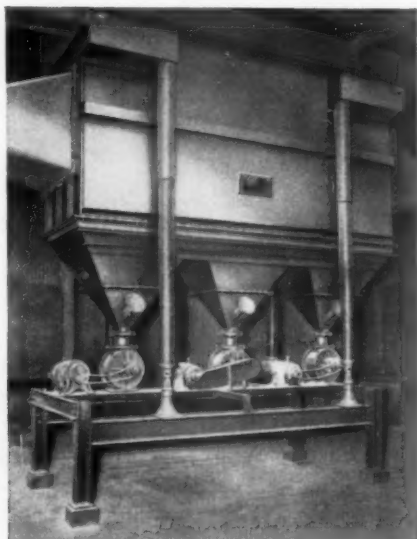
FUTURE customer, Monte Van Norden, Jr.—he'll be fourth generation—watches father, a big game hunter, buy Leonard rod from salesman Bill Buckley.



DUST should be management's concern

If there's dust escaping from your factory stacks, it's a matter of economic logic to ask Buell's engineers to make an analysis. Often those dusts are valuable: in eight out of ten installations recovered dusts pay for the collection system. Not only do Buell engineers have decades of experience in the field and in the laboratory to draw upon, but a full-scale-operating Test Precipitator can be installed, providing absolute proof of collector efficiency in your own plant before you make the major investment involved in a permanent collection system.

We'll be glad to explain the features of all three Buell systems to your engineers. For your own information, ask for a copy of "The Collection and Recovery of Industrial Dusts." Simply write Dept 30-D Buell Engineering Company, Inc., 123 William Street, New York 38, N.-Y.



Buell Test Precipitator

buell



Experts at delivering Extra Efficiency in
DUST COLLECTION SYSTEMS

\$110 to \$185, are, in fact, the most revered of all Mills products. They date from the mid-19th century, when the U. S. took the lead over England in making fine fly rods. The two leading manufacturers of that day—Leonard, and the Charles F. Orvis Co., of Manchester, Vt. (BW—Jun. 15 '57, p70)—are both still in business.

Mills also does a small amount of jobbing, selling to other dealers.

• **Dickensian**—But it's in the friendly atmosphere of the store, where Charles Dickens would have felt at home, that the company's traditions center. There, 11 members of the Mills family have sold fishing gear to such old business families as the Woolworths, Goolds, and Rockefeller.

The family has one guiding sales principle—a salesman isn't really qualified unless he's a fisherman. So no one can hope to work behind their counters unless he is up to his hips in a mountain stream on weekends.

The store's old traditions are visible in its furnishings—the rear office still has a wall telephone, rolltop desks dimly illuminated by hanging light bulbs. From this office Mills sends out 10,000 to 11,000 catalogs each year and handles the mail order business that represents 30% of its total business.

• **Customers**—What the total annual business comes to is a subject as dimly illuminated as the office; Mills won't even give the figures to Dun & Bradstreet.

There's little transient trade from passers-by. Much of the business, says Arthur Mills, comes from people who know the Mills name and make the store a sightseeing spot on visits to New York. Mills has a new 3,000-customer list that covers all states.

Wall Streeters account for 35% of the business; so store hours are geared to the downtown time schedule. Arthur Mills locks up at 5 p. m. (below) with the same key he's used for 33 years—and others used before him.



POWER-UP! calls for
modern maintenance



New Super Coilife gives rewind motors extra life

Moisture, acids, alkalis and other contaminants are locked out once and for all with Super Coilife epoxy encapsulation. For full motor protection, Super Coilife can be applied to random wound stators, rotors and armatures. Super Coilife's mirror-like finish will not crack or craze under severe operating conditions.

Because of its unusually low viscosity, this new solventless epoxy completely penetrates the interstices, through the slots, thoroughly coating and protecting the windings. Since 1953, when Westinghouse introduced Coilife® epoxy encapsulation, research, engineering and development have evolved this new and improved product—Super Coilife, an exclusive process.

Only Westinghouse Repair Plants can give the right "thin-wall" thickness for each type and class of winding to give maximum heat transfer away from the windings. Before you send out your next rewind call your Westinghouse representative for the complete story or write for Booklet B-7622: Westinghouse Electric Corporation, P. O. Box 868, 3 Gateway Center, Pittsburgh 30, Pa.

*Trade-Mark

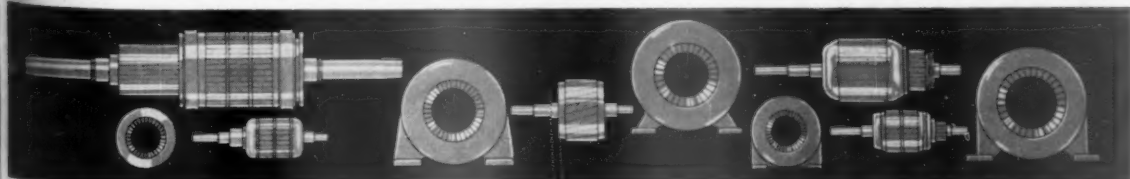
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YOU CAN BE SURE...IF IT'S

Westinghouse

WATCH "WESTINGHOUSE LUCILLE BALL-DESI ARNAZ SHOWS" CBS TV MONDAYS

USE WESTINGHOUSE MODERN MAINTENANCE SERVICE...SHOP REPAIRS...RENEWAL PARTS...FIELD SERVICE



25.2% MORE MPG!



'59 Ford Sixes top all trucks in

HOW MUCH FARTHER THE NEW '59 FORD PICKUPS GO ON THE SAME AMOUNT OF GAS**

'59 FORD SIXES - 125.2 MILES

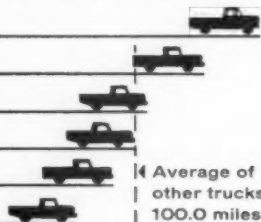
MAKE "G" - 114.1 MILES

MAKE "S" - 102.5 MILES

MAKE "C" - 100.0 MILES

MAKE "I" - 95.5 MILES

MAKE "D" - 87.8 MILES



All tests
conducted and results
CERTIFIED
by America's foremost
independent automotive
research organization*

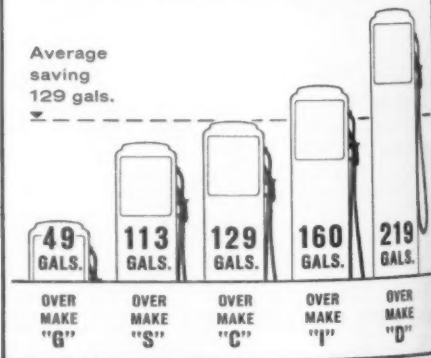
*NAME AVAILABLE ON REQUEST
Send inquiry to: P. O. Box 3087
Ford Division, Ford Motor Company
Detroit 31, Michigan

**Based on the average of all Economy Showdown tests

Ford's 25.2% better gas mileage means that for every 100 miles the average '59 pickup goes, a modern Ford Six goes 25.2 extra miles on the same amount of gas. All '59 pickups tested were stock models with standard six-cylinder engine, three-speed transmission and standard rear axle ratio.

IN ONE YEAR (10,000 MILES) FORD SAVES THIS MUCH GAS*

Average
saving
129 gals.



Here are gas savings you may expect in the first year alone—savings that can add up to *hundreds of dollars* over the years you own a truck. The full report of Economy Showdown tests—filled with information never before available to truck owners—is at your Ford Dealer's now. Be sure to see it.

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There's mileage another gallons of. To get Compar most in search of facts," truck, f born Ec huge ec pickups the six

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This '59 Ford Styleside pickup, like those which won Economy Showdown tests, is as easy on the eyes as it is on the gas! Ride is the smoothest of any standard half-tonner.

icksin Economy Showdown USA

Certified! Fords average 25.2% more miles per gallon in impartial pickup truck economy tests!

There's enough difference in gas mileage between one truck and another to save you *hundreds of gallons of gas* in just one year!

To get this story, Ford Motor Company called on America's foremost independent automotive research organization. "We want the facts," Ford said, "truck against truck, fair for all." And thus was born Economy Showdown USA, the huge economy test involving 534 pickups—new models and old—of the six leading makes.

All new '59 pickups—Ford and competitive—were bought from dealers, just as you would buy them. After 600 miles break-in, all were tuned to the manufacturer's specifications. Then began an ex-

haustive series of road trials: constant-speed driving at 30, 45, and 60 miles an hour . . . various stop-and-go tests. To reduce any human factor, test drivers were continually shifted from truck to truck.

The '59 Ford Sixes, in every test, recorded more miles per gallon than every other make!

In all tests combined, the Fords gave 25.2% better gas mileage than the average of all other '59 Sixes.

For the typical truck owner driving 10,000 miles a year, this means savings of some 129 gallons of gas!

How can Ford offer such savings? First, of all pickup Sixes, only Ford has modern Short Stroke design.

Second, to this modern engine, Ford has added a new economy carburetor. By metering fuel more precisely, it boosts gas mileage in every kind of driving.

What is "good" gas mileage in different kinds of driving, for older trucks and new? Get the answers in the full Economy Showdown report—at your Ford Dealer's now!

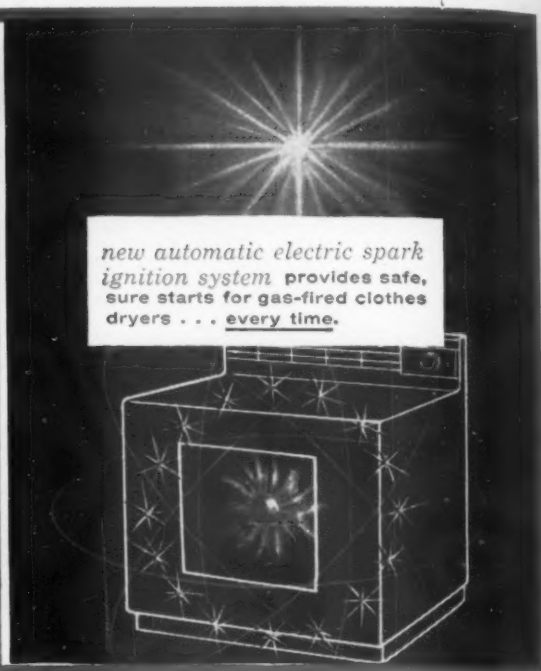
Go FORD-WARD for savings

FORD TRUCKS COST LESS

Less to own... Less to run... Last longer, too!

Controls Company of America

(what's new in laundromation?)

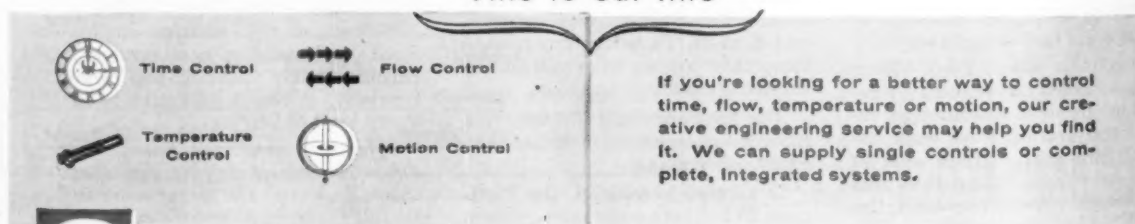


how can we work for you?

Modern laundry equipment has taken much of the back-work out of the family wash. Now Controls Company of America has removed the brain-work through laundromation — thanks to CC integrated control systems. Both *Cycle-Set* power timer and automatic electric spark ignition systems are controlling factors on leading manufacturers' top-of-line laundry appliances this season — another example of how CC creative engineering continues to serve home and industry.

CC's control system approach is the result of many years' experience in the appliance and heating fields. We have developed hundreds of standard control components — valves, switches, solenoids, motors in almost every type and size. CC's unique combination of creative engineering assistance and a complete control line means a fast solution to *your* control problems. Write today for full details on our comprehensive service.

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CONTROLS COMPANY OF AMERICA

EXECUTIVE OFFICES: SCHILLER PARK, ILLINOIS



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APPLIANCE AND
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HETHERINGTON, INC.
HETHERINGTON, INC.
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PENNSYLVANIA

MILWAUKEE VALVE CO., MILWAUKEE, WIS. • LAKE CITY, INC., CRYSTAL LAKE, ILL.
CONTROLS COMPANY OF AMERICA (CANADA) LTD., COOKSVILLE, ONTARIO,
CANADA • INTERNATIONAL DIVISION, SCHILLER PARK, ILL., U.S.A. • CONTROLS
AG, ZUG, SWITZERLAND • CONTROLS MAATSCHAPPIJ EUROPA N.V., NIMEGEN,
HOLLAND • CONTROLS COMPANY OF AMERICA (ARGENTINA) SRL, BUENOS AIRES.

In Marketing

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FTC Adds Kroger Co. to Its List For 'Unfair Competition' Prosecution

The Federal Trade Commission obviously is not waiting for the results of its own investigation of the food industry to launch a crackdown on food store chains. This week, the commission filed a broad anti-merger, unfair-competition case against Kroger Co. Just last week, FTC charged National Tea Co., No. 5 food chain, with a series of illegal acquisitions since 1952 and fired a broadside at the increasing concentration of grocery store sales in the chains (BW—Apr. 4 '59, p101).

The new target, Kroger, is the third biggest retail food chain. The commission charges Kroger has followed a policy of expansion by acquisition since 1908 and has increased net sales from \$258-million in 1940 to more than \$1.6-billion in 1957. The sustained acquisition program violates the Federal Trade Commission Act and is an unfair method of competition, the complaint says. Kroger's president, Joseph B. Hall, called the charges—covering acquisitions over a 51-year period—astounding. "Kroger's growth has always followed a lawful pattern," he said. "This complaint appears to us an unwarranted experimentation with the antitrust laws."

Similarly, National Tea Pres. H. V. McNamara has called the FTC charges against his company "nothing short of ridiculous. . . . The implication that National Tea may be creating a monopoly is completely out of the question. . . . It has approximately 1.75% of the nation's total food business."

• • •

American Can Leads Way in Cutting Prices of Containers for Packers

This week the major can companies started another round in their price-slicing struggle (BW—Feb. 14 '59, p54). American Can disclosed that it had reduced prices to fruit and vegetable packers, its No. 1 customer group, by \$1.40 to \$2.26 per thousand. Continental Can, American's nip-and-tuck competitor, and National Can, third largest in the country, immediately offered similar reductions.

American attributed the cuts to its belief that customers and the public should share in the benefits of efficiency and also to the company's desire to do its part in fighting inflation. A Continental spokesman said its cuts were designed to keep packers from rolling their own cans.

An industry expert estimates that the cuts, ranging up to 9%, represent a total savings of \$25- to \$30-million annually for the packers.

Other major can users, like the brewers and detergent manufacturers, now are expected by the trade to demand

commensurate reductions. One observer thinks brewers may erect one or two can-making plants to underline the seriousness of their demands.

Joseph Wharton, National Can's president, doesn't like the industrywide price cuts. He comments: "It's a cold economic fact that some of the all-season packers can produce more cheaply than we can sell to them at some locations. I say, let them go." Don't wreck the whole business by trying to hold on to them. We are willing to show the packers, who could save money on making their own, how to go about it. ". . . We'll trade our knowhow, even turn out special can-making equipment for them, in exchange for first refusal on their business at those locations where we can offer them a clear economic advantage."

American Can insists: "Our price reductions will not impair our earnings ability." But Continental Can says: "A price reduction of this type comes right off the top. It cuts into profits for the whole industry."

Biggest question now is whether the can companies will be able to maintain the price cuts if the current steel negotiations result in significant wage concessions to the United Steelworkers. Concessions could hurt the can companies in two ways. Their labor bill would go up as most of their work force belongs to the Steelworkers union. And they probably would be faced with increased tinplate prices as well.

• • •

Book Publishers Aren't Discouraged; Three New Ones Set Up Shop

A flurry of new publishing houses seems to underscore the growing optimism of the book world (BW—Nov. 29 '58, p84).

Latest newcomer is Pennington Press, Chicago. Its head is Robert B. Pennington, Jr., president, Merrick Lithograph Co., which makes point-of-purchase displays. Pennington plans to go after such outlets as supermarkets and drug stores, and to use such merchandising devices as point-of-purchase displays, transportation display cards, billboards, as well as radio and TV. He also plans to create "brand images" of some of his juvenile book characters.

Two weeks ago, Bernard Geis Associates announced it will start publishing this fall under the imprint of Star Press Books. Editor is Bernard Geis, formerly of Prentice-Hall. Other partners, mainly from the magazine and TV world, include Art Linkletter, Ralph Edwards, and other prominent TV show producers; Groucho Marx; Alfred Bloomingdale and Ralph E. Schneider of Diners' Club; as well as Esquire, Inc., and Cowles Magazines, Inc. Random House will distribute Star Press publications—hard-cover books.

In mid-March, word got out that Hiram Haydn of Random House, Simon Michael Bessie of Harper & Bros., and Alfred Knopf, Jr., of Alfred A. Knopf, Inc., will hang out their shingle around May 1, be ready with a book list by the fall of 1960. "We are primarily interested in writers and writing," says Knopf—which means interest in new authors, concentration on hardbound books.

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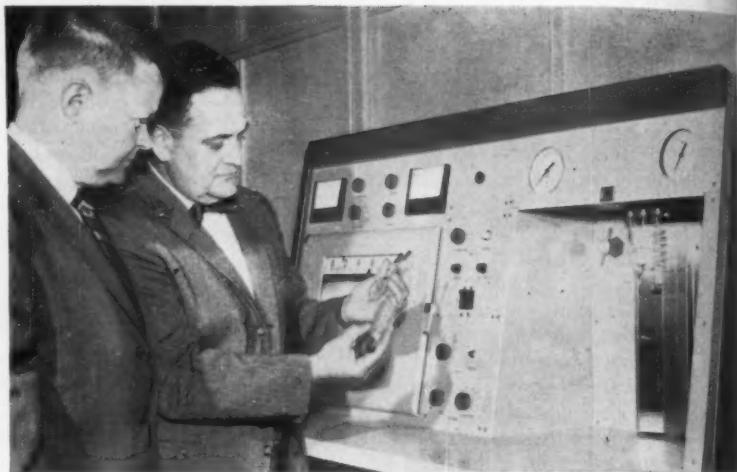
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NEW PRODUCTS



Trapping Tastes and Smells

Even such elusive trace chemicals as flavors and aromas can be measured and collected in quantities large enough for close lab study by the use of the Megachrom, a large gas chromatograph unveiled this week by Beckman Instruments, Inc.

In lab tests, the instrument has extracted alien substances from matter that had been rated as chemically pure. It will make it possible to improve the taste of synthetic and concentrated foods, as well as medicines. It will also enable medical researchers to isolate trace components that have hitherto defied identification in biochemical mixtures.

The Megachrom is a bundle of slender metal tubes, 6 ft. long, packed with granular crushed firebrick that has

been coated with a special liquid. As a test sample is carried through the tubes by a stream of inert gas, each component is delayed to a greater or less degree according to its solubility by the action of the liquid coating. So the different components emerge from the tubes at different times, and can be collected in a series of traps.

The Beckman instrument can handle samples 100 times larger than has been possible in existing analytical gas chromatographs. And the standard instruments have seldom attempted actually to separate out the components—containing themselves with recording the proportion in which each component occurs.

The Megachrom will sell for between \$9,000 and \$10,000.

Smaller Tubes for Spotting Rays

Two new Geiger tubes—one fitting over the other like a thick cup—make possible a much smaller and less expensive version of the elaborate Geiger counters used for the delicate measurement of radiation in hospitals, labs, and some industrial setups. The tubes were developed by Amperex Electric Corp., of Hicksville, N. Y.

In the Amperex system, the inside tube does the actual searching for dangerous beta rays; the outer one, called a guard tube, serves to spot any intruding cosmic rays and to shut off the beta-ray detector if they appear.

Conventional Geiger systems for this sort of lab work weigh around 4,000 lb., mostly because of the very heavy lead shielding needed to keep gamma rays—from fallout or natural radioac-

tivity—from the beta-ray detector and its up-to-30 guard tubes. An Amperex system weighs only 400 lb., mostly because its single guard tube requires so much less shielding. Being much lighter, the Amperex system requires no extra floor bracing, as conventional setups often do; it is also much easier to maintain.

The Amperex tubes use bromine gas to restore them to quiescence after each electrical discharge caused by radiation. The company says this is an improvement because the bromine is not gradually consumed as are the organic quenchers used in standard Geiger tubes.

Theoretically, the Amperex tubes never need to be replaced. A pair of Amperex tubes cost \$559. **END**

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of the next piece of paper you touch . . . perhaps this page. Our caustic soda and soda ash help digest wood chips for conversion into high quality pulps. Our chlorine and hydrogen peroxide then bleach pulp to desired whiteness. Our silica pigments show promise in many stocks for better formation, strength or opacity.

Helping you realize so many goals through paper is yet another example of the manner in which these and other Columbia-Southern industrial chemicals work to produce better products of many kinds with greater economy.

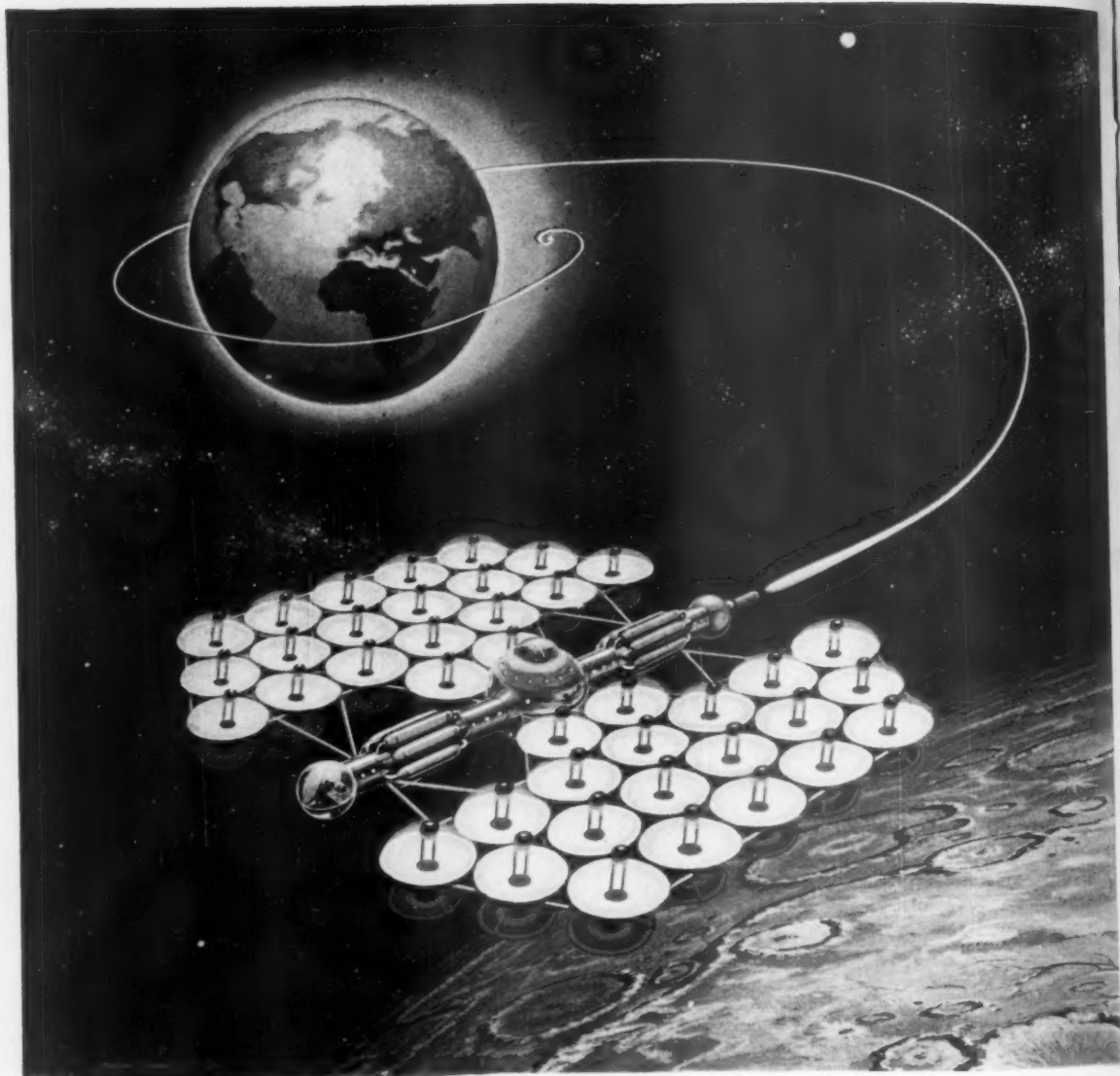
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CHEMICAL PROGRESS WEEK—APRIL 13-17





STEPS IN THE RACE TO OUTER SPACE

Cosmic Butterfly

Spreading its wings to absorb the eternal flow of solar energy is the Cosmic Butterfly, a space vehicle of a type first conceived by Dr. Ernst Stuhlinger of Redstone Arsenal.

Each of the fifty-foot parabolic mirrors in the wings concentrates the Sun's rays on a boiler at its focal point. Steam is developed, which drives a 200-kw turbo-generator in the base. Cooled by frigid outer space in heat diffusers, the steam reverts to water and is pumped back to the boiler to be used over and over again.

The current thus generated drives the main propulsion unit, an ion rocket in which powerful electric fields accelerate charged particles, shooting them from the rear of the rocket exactly as the elec-

tron gun in your TV set bombards the screen. Sunlight, then, is the power source, whereas cesium is the propellant.

While the recoil thrust is relatively small, the weightless vehicle is operating in a vacuum and the push is enough to enable the Butterfly to reach interplanetary speeds. Unlike conventional rockets, the Butterfly is under power the entire trip. Half way to its destination it turns around, and the ion thrust is used to slow the craft down to arrival speeds.

Since its thrust is entirely inadequate to cope with the gravity of major planets, the Cosmic Butterfly never lands. It is

assembled in space and shuttles between artificial satellites.

The Cosmic Butterfly could carry ten passengers and 50 tons of cargo from an Earth satellite to a comparable one orbiting around Mars in about one year of continuous travel.

Inertial navigation systems will play an increasing role in the exploration of outer space. **ARMA**, now providing such systems for the Air Force ATLAS and TITAN ICBM's, will be in the vanguard of the race to outer space. **ARMA**... Garden City, New York. A Division of American Bosch Arma Corporation.

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New Kind of Revolution for Britain

The Industrial Revolution was born in England. But, at least since World War II, it has taken on a new shape and color in the U. S. Now there are signs that, with two world wars behind it, the United Kingdom is undergoing another upheaval. This time, the revolution is in the character and practices of business management, and it involves the adaptation of ideas and techniques developed mostly in this country.

This is the first of two articles on British management today. What's happening there is significant to the U. S. because of our growing stake in world markets.

Business and industrial management in Great Britain is taking on a stronger, though highly Anglicized, resemblance to its counterpart in the U.S. The men who direct British industry more and more are adopting and adapting the concepts, attitudes, and techniques that have so altered the structure of American business in recent decades.

The revolution in U.S. management has been characterized by the rise of an executive group increasingly professional in background, outlook, and method; by growing stress on human relationships at all levels of industry; and by a wave of new techniques. All these trends are appearing in Britain, too.

• **Pattern of Change**—The adoption of strictly technical aspects of modern management is perhaps the most obvious trend. Yet the social and organizational structure of British industry is also changing as part of a pattern of social change that is denting the rigid structure of a class society. Neither the social nor the managerial revolution is yet complete. Perhaps, in the British pattern of gradualism, they never will be. But the changes are already profound.

I. Revolutionary Trends

Most Britons would challenge the term management revolution, considering it an exaggeration of a normal evolutionary process. Some think the changes are not taking place rapidly enough to constitute a revolution—or, perhaps, rapidly enough for Britain's good in a competitive world.

But the current trends in British management are revolutionary for tradition-minded Britain. Businessmen who before World War II were scarcely aware of such terms as labor turnover are becoming familiar with the concepts of modern management and are applying many of them.

They are reading pamphlets on work study, operational research, indexes of



R. M. CURRIE of Imperial Chemical Industries is advocate of work study concept. ICI is credited with spreading the gospel of the movement throughout the United Kingdom.



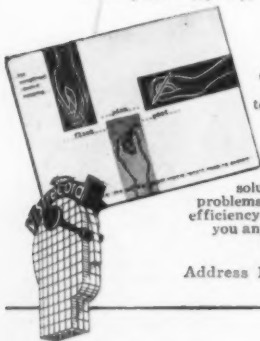
WORK STUDY "open days," sponsored by ICI, are attended by top brass from industry, government, and unions. ICI assists other companies in setting up departments.



HOW MUCH WASTE CAN YOU AFFORD?

None, you say? And you're exactly right, for there are enough other factors attacking your profits nowadays without suffering needlessly from controllable waste of TIME, space, money or material! But take another look — perhaps you aren't really recognizing some important causes of waste. Do your record-keeping systems provide instant location, foolproof refiling, full visible control and complete flexibility — all in minimum space? Are they adaptable to either hand or machine posting, and to automated methods? Do they give you real "management by exception" or do you just wish for it? Do they give you facts at a glance — instead of too little, too late? Are your employees satisfied with your systems? Unless you can honestly answer "Yes" to these questions you are indeed paying for needless waste — and you need **VIS/record**!

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productivity, production control, and interfirm comparisons issued by the British Institute of Management, a postwar organization partly modeled on the American Management Assn. They are attending management conferences within their own companies and outside.

• **Consultants' Day**—They are also making more use of management consultants. The four firms that split some 80% of U. K. management consulting business have grown substantially since the war.

A number of American consultants now have London offices. And British trade associations are doing a lot of consulting work for their members.

• **Postwar Drive**—None of these familiar phenomena of the American business scene was completely unknown in Britain before World War II. But their real growth has been postwar.

American-style management techniques got a strong boost from the Anglo-American Productivity Council, formed in the late 1940's to sponsor study trips to the U.S. Many of the resulting reports stated or implied that British management was lagging behind American.

A successor organization, the British Productivity Council, is using more than 100 local productivity committees and associations to ram home the idea that British industry must not operate at less than full productivity "because of uninspired teamwork and insufficient knowledge of modern techniques of production," as BPC chairman, Sir Miles Thomas, chairman of Monsanto Chemicals, Ltd., said in a recent issue of the BIM journal.

II. Major Forces

As in the U.S., the application of new management techniques has been paced in Britain by a handful of the largest companies and—unlike the U.S.—by government departments and such nationalized industries as coal and railways. These groups are not only using the new methods themselves. They are also supporting the efforts of organizations such as BIM and BPC and are disseminating information on their techniques.

Imperial Chemical Industries, the U.K.'s largest manufacturing enterprise, has been the major force behind the spread of work study. The British equivalent of work methods, work study primarily involves the analysis of methods of performing production and office jobs, the setting and application of standards for quality and volume, and the introduction of incentives. However, at ICI the concept has broadened to cover nearly every aspect of management analysis.

• **High Priest**—Work study depart-

ments are becoming the rule rather than the exception among progressive British firms. In large part, this is thanks to ICI, and particularly to ICI's R. M. Currie.

Currie, a civil, electrical, and mechanical engineer with a background in industry and the academic world and with wartime Far East experience in the military, came to ICI in 1947. It was a fortuitous time.

In the immediate postwar period ICI drew up major expansion plans, added up its labor force, took a look at the prospects for labor supply, and discovered that it hadn't the manpower to expand the way it wanted to unless it could increase productivity per man. ICI developed a "six-pronged productivity program." Into this, Currie's conception of work study fitted neatly.

• **Way of Life**—Today, Currie's original one-man operation has grown to central and divisional work study departments employing 1,500 people in the U.K. alone. At ICI, work study now is almost a way of life. Scarcely an aspect of company operation is not subjected to it—most recently research and plant design. Like most large British firms, ICI does more of its own plant design work than is customary among U.S. firms. And all of its 600 designers and 1,200 draftsmen have been or are being trained in work study.

• **Spreading the Gospel**—ICI's example is only a small part of its efforts on behalf of the work study gospel. In 1953 it staged for the Assn. of British Chemicals Manufacturers the famous Buxton Conference. That meeting was the first work study conference in Britain and is generally credited with a major role in promoting the trend.

ICI produced the three British Institute of Management pamphlets on work study. It publishes a work study newspaper and assists other companies and government bureaus in setting up work study departments.

ICI explains "our rather Vatican



SPINNING JENNY, in 1770, turned out eight times the work of one person, triggered Industrial Revolution in textiles.

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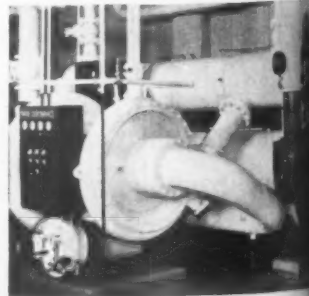
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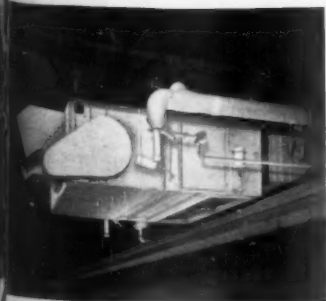
So when you plan air conditioning, make sure you get a better return on your investment. Ask your architect or consulting engineer to talk to your nearby TRANE Sales Office. Or write TRANE, La Crosse, Wisconsin.

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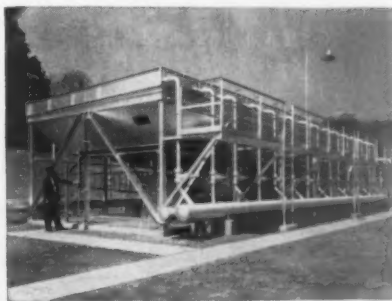
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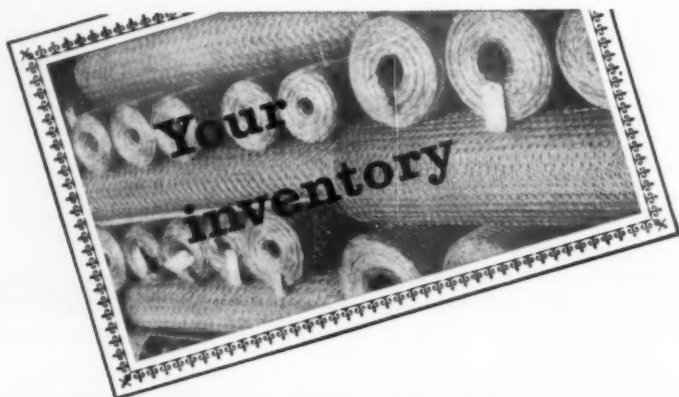
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attitude of issuing work study encyclical" this way: As a large employer, it is interested in its employees' standard of living, which is helped by lower prices through increased productivity, even of competitors. It also is interested in being part of a healthy economic climate, which is good for its business.

• **Operations Research**—Work study already has proved it can pay off when applied to repetitive operations in the shop. Operational research (OR), on the other hand, is a synthetic technique. This device for analyzing operations by making mathematical models of them has come down from on high rather than up from the shop floor. As a result, its growth has been spottier than work study's. Nevertheless, it has caught on.

Most of the largest companies and the nationalized industries are applying OR to some degree. All the major oil and steel companies have OR sections. United Steel's 70-member department, established immediately after the war, is one of the world's largest. OR also has made headway in the paper and chemical industries.

British OR departments for the most part have confined their attention to specific areas of their business. The oil companies, for example, use OR chiefly to calculate optimum spread of products in refinery streams.

The National Coal Board, which has the country's second largest department (50 people), uses OR in three main areas: to determine which of its 800 mines will supply which of the country's innumerable private dealers in domestic coal; for inventory control, chiefly in calculating optimum stock levels; and to select capital investments that will show optimum profits.

NCB has not been able to apply OR to its most pressing current problem—



STEAM engine developed by James Watt made possible the use of steam as a power source, revolutionized industry after industry.

NEW FRONTIER IN FOOD PROCESSING NORTH CAROLINA

NEWEST PLANT OF
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Early this year, Swift and Company began full line production in Wilson, North Carolina. The expansion decision was based on three factors: the rapidly growing consumer-demand market of the Southeast, the enormous potential for increased production, and the initiative of the people in groups and individually.

North Carolinians cooperated to show Swift that they could meet quantity and quality requirements of beef and swine and pointed out acreage they would convert to pasture and grain. Swift liked the initiative and cooperation North Carolinians gave on every level, from Community to Governor.

Opportunities for development of food processing plants with ready supply and enormous potential for increased production are now at an all time high. For prompt and confidential plant location information you are invited to contact Wm. P. Saunders, Director, Department of Conservation and Development, Raleigh, North Carolina.



North Carolina's Business Man Governor Luther H. Hodges (left), at Swift ground breaking, discusses new plant with E. B. Fitchall, Executive Vice President of Swift, and S. M. Cozart, Chairman, Wilson Industrial Council.



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how much to produce and where, to cope with its mounting reserves of coal. Production is too deeply involved with the politically explosive question of coal worker employment as well as with long-range strategic considerations.

• **Dearth of Research**—In both Great Britain and the United States, OR grew out of work done in and for the military services during World War II—work that was shared and thus gave two countries just about the same base. The techniques in the two countries are essentially the same. But British universities—unlike those of the U.S.—have taken little part in the development of OR, and there are relatively few OR consultants.

As a result, OR men worry about the paucity of basic U. K. research in the field. As one spokesman says, "British OR is living on its capital."

• **Computers**—Also, in the use of electronic computers for business purposes, Britain has lagged behind the U.S. According to a recent Financial Times report, only about 50 concerns use computers for other than scientific and engineering work and process and machine tool control. Even in those fields usage is not widespread although the techniques and equipment are on a par with those of the U.S.

The most common business computer application in Britain is office data processing, particularly for payrolls, production control, spot control, and invoicing. The British pioneer in office use of computers, the big catering, restaurant and hotel operation, J. Lyons & Co., Ltd., has made a profitable thing out of its interest. The computer Lyons developed for its own use is now being marketed by a subsidiary.

Typical British caution has been at work in the computer field. Britons refuse to be stampeded into buying

computers for the sake of the latest gimmick, and they suspect that in the U.S. there has been more talk about computers than use of them. However, leading companies are studying possible applications.

• **Statistics Shy**—Marketing is another field in which there is a lag. Self-service stores are springing up all over Britain, and some are large enough and varied enough in their merchandise to be called supermarkets. Much is being said and written about the need for better British salesmanship at home and abroad.

But the British tend to shy away from statistical-based techniques like market research and sales forecasting. They're skeptical of statistics in general, don't collect many of them or make long-range statistical projections, and scoff at the American mania for surveys. A British economics professor says, "People produce figures to gain a feeling of certainty in an uncertain world. Statisticians are like the Delphic oracle—they don't make sense, but they give comfort."

He illustrated his point with a reductio ad absurdum story of the American love for forecasting. The British subsidiary of a U.S. company was directed to make a 10-year business projection. The consultant hired for the job asked for the assumptions of the parent company. After he had studied the answer, word went back across the Atlantic: "Well, if your growth assumptions are correct, you needn't bother about us. We won't be in business." The parent company came up with new assumptions that left a niche in world markets for the subsidiary.

• **Wanting**—Some management techniques have been tried and found wanting. Suggestion schemes date from at least 1880, yet the Industrial Welfare Society estimates that there are now only about 500. Wage incentive plans had a spurt during and after World War II, helped to spread time-and-motion study, but now seem to be on the downgrade. The trend was reversed by new manufacturing methods that put work speed beyond worker control—and also by the complexity of the plans themselves.

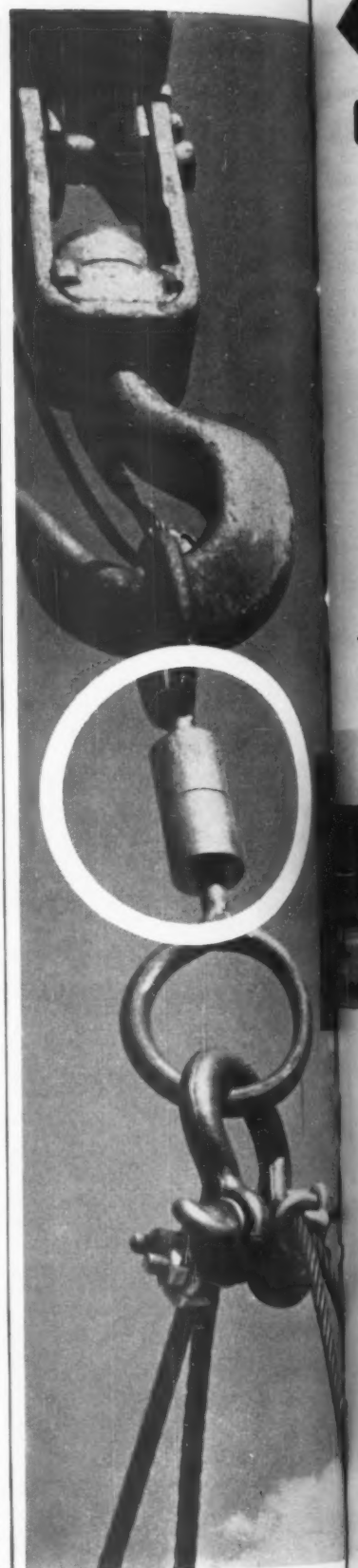
The prevalence of small and mid-dling family manufacturing companies has acted as a brake on the whole "management movement." However, even among the small firms real advances are being made in measurement and allocation of costs, an area they used to ignore altogether.

III. The British Accent

Collectively, all these new trends in British management are often referred to as "Americanization." In most of them, Britain is following U.S. leads



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After setting for 30 minutes, the bond formed by one drop of Eastman 910 Adhesive supports a load of 5,000 pounds.

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Here is a ready-to-use adhesive that sets almost instantly and develops high strength bonds in a matter of minutes. Moreover, it requires no heat, pressure or catalyst... and forms bonds with virtually all materials.

Eastman 910 Adhesive comes close to meeting the requirements of an ideal industrial adhesive. It is solving assembly problems for manufacturers of jet aircraft... trophies and jewelry... fountain pens... radiation measuring instruments... electronic components... rubber swimming masks... metal and plastic hand tools... and steel-backed rubber printing plates. In many cases this remarkable adhesive makes possible innovations in design previously considered impractical or impossible.

Look at its many features and see how you can take advantage of the unusual combination of properties available in this fast-setting, high-strength adhesive.

- **SETS FAST**—Makes unbreakable rubber-rubber bond in 30 seconds; bonds steel-steel firmly in 3 minutes.
- **VERSATILE**—Joins virtually any combination of wood, glass, metal, rubber, cork, leather, paper, porcelain, gems, minerals and most plastics.
- **HIGH STRENGTH**—Steel-steel bonds show shear strengths up to 3,800 psi, tensile strengths up to 4,600 psi, after 24 hours at room temperature.
- **EASY TO USE**—Thorough cleaning is the only surface preparation necessary. It is ready to use as supplied, no catalyst or mixing necessary.
- **CURES AT ROOM TEMPERATURE**—No heat is required to initiate or accelerate setting. Setting begins immediately upon spreading into a thin film.
- **CONTACT PRESSURE SUFFICIENT**—No pressure is required beyond that necessary to maintain good contact between surfaces.
- **LOW SHRINKAGE**—There is virtually no shrinkage on setting as neither solvent nor heat is used.
- **GOES FAR**—One-pound package contains sufficient adhesive for 13- to 14,000 one-drop applications to smooth, non-porous surfaces.

Eastman 910 Adhesive offers new opportunities for engineers, experimenters and fabricators in both design and production. It is ideal for applications where extreme speed of setting is desirable... or where design requirements involve small joining surfaces, complex mechanical fasteners or heat-sensitive assemblies. Eastman 910 Adhesive saves countless man-hours of production time.

To find out what it can do for you, send five dollars for a trial kit.

Developed by Eastman Chemical Products, Inc., subsidiary of Eastman Kodak Co., Kingsport, Tenn., Eastman 910 Adhesive is distributed world-wide by Eastman Chemical Products, Inc., Armstrong Cork Company and by their sales offices and agents.

Eastman 910 ADHESIVE

Send your order for the five dollar trial kit of Eastman 910 Adhesive to: Eastman Chemical Products, Inc., Chemicals Division, Dept. B-4, Kingsport, Tenn., or to: Armstrong Cork Company, Industrial Adhesives Division, 9104 Indian Road, Lancaster, Pa.

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Wilson Meyer Company
San Francisco
Armstrong Cork Company
Boston (Needham Heights)
Chicago
Cincinnati
Cleveland
Detroit
Greenville, S. C.
Lancaster, Pa.
Los Angeles
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PUERTO RICO
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COMPANY Well-established, diversified, and highly successful manufacturer of consumer products (non-food). Headquarters in the metropolitan Chicago area. Current volume including foreign plant \$75 million. During the past ten years the company has expanded substantially and is following a well-charted, aggressive program for continued growth and expansion.

POSITION The President will have complete responsibility for the operations of the company and will report to the Chairman of the Board of Directors.

BACKGROUND REQUIRED The man we seek for this position will currently be a President, Executive Vice President, Marketing Vice President, or Division General Manager of a company, and will have profit responsibility for the company (or division) with at least a total volume of \$20 to \$25 million dollars. He will be 40 to 55 years of age.

COMPENSATION Open and quite flexible, but in a high bracket. This depends, in a measure, on the man's background. Beyond the salary, there is an opportunity for a highly desirable stock option and deferred compensation plan. Our search is for a man who is satisfied in his present position but who is looking for greater challenge and opportunity.

CONFIDENTIAL Your prompt reply will be held in strict confidence and it is expected that preliminary negotiations will continue in a mutually confidential manner.

GEORGE FRY & ASSOCIATES, INC.

MANAGEMENT CONSULTANTS

135 South LaSalle St.

Chicago 3, Illinois



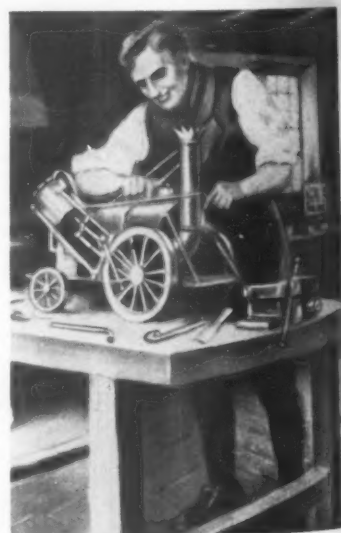
and relying heavily on U.S. research. Says an executive of one of the biggest and most progressive British companies, "We're applications-minded here, not research-minded. . . . That means we use U.S. research."

American-nurtured though it may be, modern management is emerging in Britain with a strong British accent. There is less formalization of programs as befits a nation without a written constitution. There is suspicion of gimmicks, of generalizations, and of gobbledegook. Lacking the U.S. urge to put ideas into words, Britons consider it pretentious to treat a body of common sense practices as a new intellectual discipline. They smile at claims that "scientific management principles" have been discovered.

• **No Carbon Copy**—Yet behind the smiles is genuine, if sometimes grudging, admiration of U.S. efficiency and vitality. British managers concede that some of the new techniques, even though they rest on shaky philosophical ground, occasionally work.

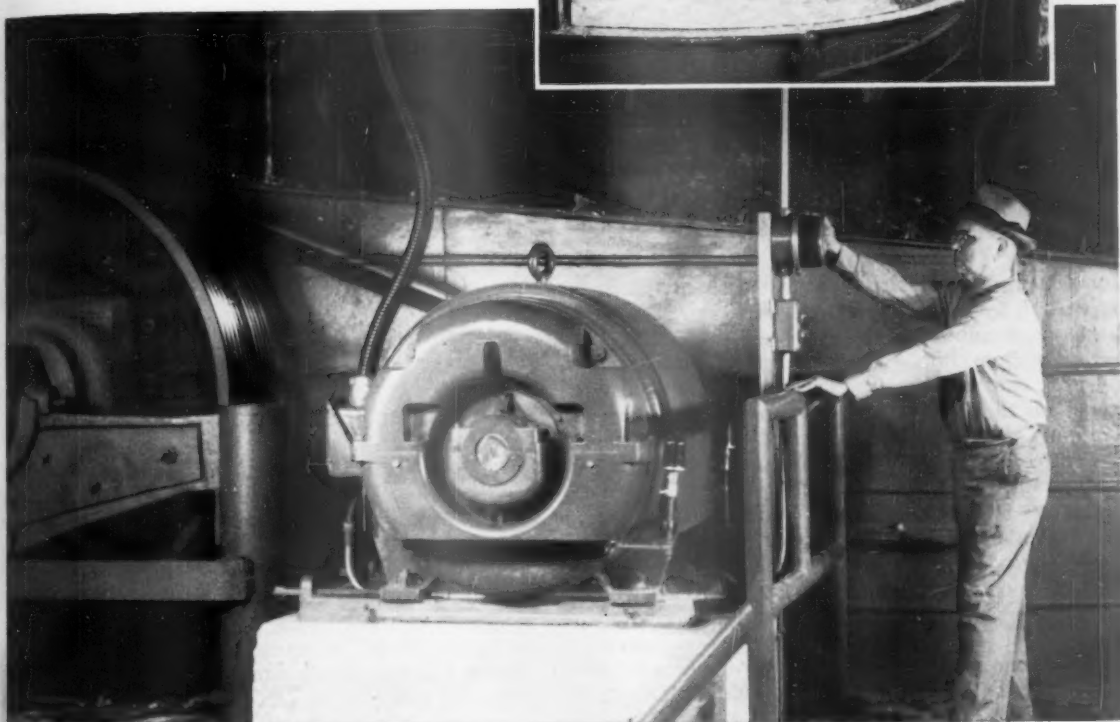
There, as here, a businessman who will scorn a theory will listen to and learn from another company's experience. No harm is done the cause of work study, for example, when ICI is able to report facts like these: Since the war, although ICI's wages have gone up 3½ times and the prices it pays for materials 4½ times, the prices it charges for its products have risen only twice.

The British are not likely to turn their industry into a copy of ours. They are looking at most U.S. management techniques, are adapting and Anglicizing many of them, and are developing some of their own. The result will still be British.



STEAM locomotives similar to George Stephenson's in early 19th Century were forerunners of a new era for railroads.

HOW TO BEAT A TON OF PULP...



Alton Box Board Company is one of America's most complete paperboard and packaging organizations.

The manufacture of paperboard, basic component of folding cartons and corrugated and solid fibre containers, is a complex process requiring massive machinery driven by powerful motors.

This top liner finishing beater, for example, is a giant "mixer" that beats 2000 pound batches of kraft pulp, mixed white paper, clays and water to form a highly liquid pulp. It is driven by a Wagner

150 hp low speed splashproof motor. The endplates are built in two sections to provide ready accessibility to the sleeve bearings.

Whatever your motor requirements may be, Wagner can build a special motor, or provide a standard motor to fit your need. Wagner builds motors in ratings through 1000 hp, with a wide variety of enclosure types and mountings. Call your nearby Wagner field engineer for an engineering analysis of your next motor application. There are Wagner branches in 32 principal cities.

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SERVING 2 GREAT GROWTH INDUSTRIES...ELECTRICAL...AUTOMOTIVE

In Management

• • •

Cresap Crowned as Westinghouse Boss; Rule by Three-Man Committee Ended

Mark Cresap has become unquestioned head man at Westinghouse Electric Corp., just ten years after he took on its problems as a consultant. Westinghouse directors named Cresap as chief executive officer and discontinued the three-man Policy & Finance Committee they established 15 months ago when Cresap became president and chief administrative officer (BW—Dec.21'57, p22).

The Policy & Finance Committee—of which Cresap, Chmn. Gwilym A. Price, and Vice-Pres. E. V. Huggins were members—served as a way to ease the shift of power from Price, who retained the title of chief executive officer, to Cresap. The Westinghouse financial record for the 15 months of the committee's existence—earnings up while billings dropped—indicates that the committee did not hamper management, as each member had insisted it would not (BW—Mar.17'58,p84).

Cresap's first encounter with Westinghouse came in 1949 when he was partner in Cresap, McCormick & Paget, management consultants. He spent most of his time for more than two years studying Westinghouse sales problems. He joined the company as vice-president and assistant to the president in 1949, became executive vice-president and deputy chief executive officer in 1955, and was named president and chief administrative officer on Jan. 1, 1958.



• • •

Court Opens Way to New Battling Between Mesabi Iron and Reserve Mining

The long and smoldering battle between Mesabi Iron Co. and Reserve Mining Co. is due to break out into a flurry of activity again. A federal judge in Duluth has ordered the two companies back into arbitration over the accounting methods used to figure profits at the mining operations that Reserve conducts on Minnesota taconite property owned by Mesabi, but the court lifted the injunction barring Mesabi from taking court action against Reserve on other matters. Mesabi's Pres. Arnold Hoffman says this means that new litigation is in the offing on such charges as breach of contract.

The contract under which the taconite lands are being mined by Reserve, a joint property of Republic Steel Corp. and Armco Steel Corp., provides that Mesabi re-

ceive one-third of all profits. Company books show losses since full-scale production began some five years ago, but Mesabi claims this is because Reserve is making unauthorized charges for such costs as interest and management fees.

The two companies took up arbitration in 1957, but Mesabi stopped the proceedings last year when Hoffman won the presidency in a proxy fight (BW—Apr.26'58, p129) and turned to the courts to try to win his points. The current decision is in an action brought by Reserve to require that arbitration be taken up once more.

The judge held in abeyance any decision on Mesabi's charges that Reserve was violating the antitrust laws by setting the price on pellets.

• • •

Jogging the Wandering Memory

Monsanto Chemical Co. has come up with an eight-page wallet-sized folder to help its 30,306 employees remember an assortment of facts about the company so they can answer occasional questions from friends and family. The folder gives statistics on assets, sales, plant locations, and customers—and on the employees. It also lists 23 "business principles" to govern Monsanto's relations with stockholders, customers, employees, and plant communities.

• • •

Management Briefs

One dissident was elected to the nine-man board of Philip Carey Mfg. Co. at the two-day meeting of the Cincinnati asbestos company. The new director—James J. Harris, president of Guest Pac Corp.—was one of a group seeking more aggressive exploitation of Carey's mining property in Canada (BW—Mar.21'59,p102).

Bristol-Myers Co. showed off a novelty in its annual report this year: a separate 24-page family record book, where stockholders can record tax data, insurance policy numbers, automobile serial numbers, military service data, clothing sizes, and even registrations of cemetery plots.

More companies are joining the trend toward picking new names (BW—Mar.28'59,p103). Chesapeake Industries, Inc., a diversified industrial outfit that has no subsidiaries with "any geographical connection with the Chesapeake Bay area," will become America Corp.; National Starch Products, Inc., is expanding into National Starch & Chemical Corp.; National Aluminate Corp., also emphasizing the chemical end of its line, becomes Nalco Chemical Co.; and Botany Mills, Inc., turns into Botany Industries, Inc.

Earlier retirement is being offered to the 61,000 employees of International Business Machines Corp. As part of a new liberalized benefit plan, IBM will let employees with 15 years of continuous service retire at age 55 with a reduced pension; previously, earliest retirement was at 60, with 20 years' service. Full-pension retirement age is still 65.

Nearby—and 30 years apart...



Associated Architects: Harrison & Ahramovitz
and
John B. Peterkin
General Construction: Turner Construction Co.
Owners: Galbreath Corporation



It's good for a LIFETIME, made of

ALLEGHENY STAINLESS

Warehouse stocks carried by all Ryerson steel plants

A-L products: stainless, high-temperature, electrical and tool steels: magnetic materials, and sintered carbides

two generations of Allegheny Stainless on the skyline

New York City's new 42-floor Socony Mobil Building and famous Chrysler Building have much in common: close in location, big in size, both fine examples of Allegheny Stainless Steel applications.

The Chrysler Building pioneered in the use of stainless in architecture and construction technique. It was capped with a stainless steel roof of multiple arch design, surmounted by a stainless steel spire.

Periodic examinations of the Chrysler spire and roof show that the stainless is just as sound today as it was thirty years ago at construction. It's covered now with the soot and grime of the city, but it's bright as new underneath. With just ordinary cleaning, it would shine again.

The Socony Mobil Building, completely sheathed in stainless, is the world's largest metal-clad building. Over 10 acres of preformed stainless steel panels, embossed with three-dimensional patterns of triangular shapes for a pleasing light and shadow effect, are used.

In the Socony Mobil Building, as in the Chrysler Building, Allegheny Stainless contributes toughness, durability, and beauty. Permanent protection against weather and corrosion with minimum maintenance is the net result.

In addition to the building panels, spandrels and pier covers, Allegheny Stainless is used in the Socony Mobil Building's window sashes and frames, elevator cabs, doors and in many other architectural applications.

The services of our architectural division are yours in any way. For advice on how Allegheny Stainless—the time-tested stainless metal—can work for you, just write.

Allegheny Ludlum Steel Corporation, Oliver Building, Pittsburgh 22, Pa.

WSW 6929



It keeps the caissons rolli

Building the St. Lawrence Power Project posed tricky problems. In the second stage of dam-building, for example, giant caissons were needed to detour the water rushing through still-open sluiceways. And those caissons had to be watertight so the concrete could pour and harden.

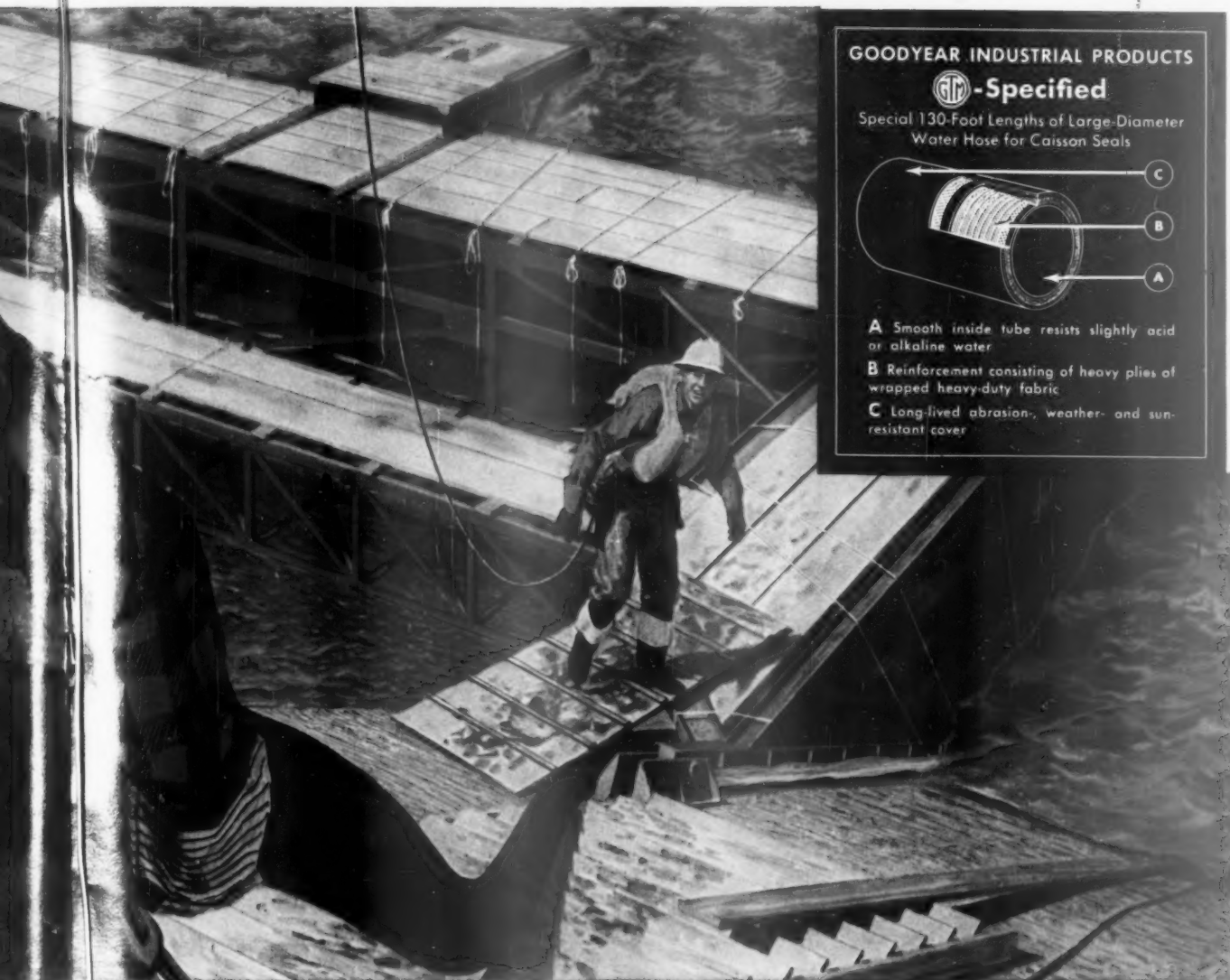
It was no easy matter to waterproof caissons, either. The bottom edge of each one had to be sculptured—by hand—to match irregularities in the abutments. Then a hard

rubber gasket was necessary. And this costly process had to be repeated every time a caisson was re-used.

Then a builder had an idea—hose. But small-diameter air hose failed him. Clearly, he needed larger-diameter hose—but no hose-maker would build it more than 50 feet long. That is, until the G.T.M.—Goodyear Technical Man—and his colleagues rushed the production of unprecedented 130-foot lengths.

**HOSE FOR
ALL INDUSTRY by**

GOOD

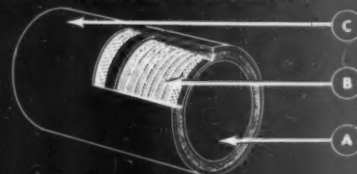


GOODYEAR INDUSTRIAL PRODUCTS



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Special 130-Foot Lengths of Large-Diameter
Water Hose for Caisson Seals



A Smooth inside tube resists slightly acid
or alkaline water

B Reinforcement consisting of heavy plies of
wrapped heavy-duty fabric

C Long-lived abrasion-, weather- and sun-
resistant cover

rolling—17 feet under water

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meter
meter
50 feet
l Man
prece-

Probably the best dam seal ever made, the G.T.M.'s hose compresses under the 40-ton caisson to form a water-tight barrier—even over 4- to 4½-inch irregularities. And it can be used over and over—keeping caissons rolling from pour-site to pour-site. That *saves the builder thousands—plus valuable building time.*

If you're trying to get to the bottom of a hose problem as tough as this, the G.T.M.'s your man. He can tell you about

over 800 types of hose in regular production—if you contact him through your Goodyear Distributor—or by writing:

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Akron 16, Ohio

IT'S SMART TO DO BUSINESS with your Goodyear Distributor. He can give you fast, dependable service on Hose, V-Belts, Flat Belts and many other industrial rubber and nonrubber supplies. Look for him in the Yellow Pages under "Rubber Goods" or "Rubber Products."

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GOODYEAR

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IN RUBBER

Sealed in Kodapak Sheet

"Kodapak" is a trademark for Eastman's plastic sheet.



Package by Holley Plastics Co., Warren, Michigan, for Champion Spark Plug Co., Toledo, Ohio

"We all like Champions—like the new, water resistant, 'see through' packs—like the way the plugs themselves stay clean and dry as spares."

That's the verdict of boating fans everywhere—and of dealers too, who, of all people, know good packaging.

The material used is Kodapak Sheet—crystal-clear, tough, chemically and dimensionally stable. Uniform in width and gauge, it is economical to handle.

The dome is of .015" Kodapak II; the base of .010". Because the entire pack—base and dome—is made from Kodapak Sheet, electronically sealed, the plug is protected from water damage.

And because the pack is transparent, no one need ever break the watertight seal to inspect. For further information about this and other examples of how Kodapak Sheet makes "Good products sell better," call our representative or write:



Remove a single plug as needed—spares stay waterproof

Cellulose Products Division, EASTMAN KODAK COMPANY, Rochester 4, N.Y.

Sales Offices: New York, Chicago, Atlanta. Sales Representatives: Cleveland, Providence, Philadelphia. Distributors: San Francisco, Los Angeles, Portland, Seattle (Wilson & Geo. Meyer & Co.); Toronto, Montreal (Paper Sales Ltd.)

In Business Abroad

• • •

Lockheed Sets Up Overseas Branch To Help Customers Over the Bumps

Lockheed Aircraft Corp. has set up a subsidiary, Lockheed Aircraft International, to provide a wide variety of services for overseas customers, including airport development, communications, aircraft maintenance, and nuclear development.

Through the new offshoot, Lockheed will share investment risks and provide management and technical assistance. Once a new enterprise gets rolling smoothly, Lockheed will withdraw from day-to-day management and turn this control over to its local partners.

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Brazil Gets Oil from Soviet Union In Their First Trade Exchange

The arrival this week of 40,000 tons of oil from the Soviet Union at Brazil's port city of Santos inaugurated trade relations between the two countries. In return for this shipment and another of 20,000 tons, which is to arrive later this week, Brazil swapped a reported 59,000 bags of cocoa and coffee.

Moreover, according to Sao Paulo observers, if the Russian oil proves satisfactory after laboratory tests and refinery runs, Rio will consider negotiating a further offer of 400,000 tons.

Meanwhile, Brazilian trade missions behind the Iron Curtain are dickering with Poland, Romania, Czechoslovakia, and Bulgaria for goods ranging from ships to machine tools.

• • •

Volkswagen May Be Next in Line For Sale to Private Investors

Volkswagen may yet become the "people's car"—in more than name only.

Made bold by its swift success in marketing "people's shares" in the state-owned West German mining company Preussag AG. (BW—Mar.21'59,p143), the Adenauer government this week decided to push for private ownership of Volkswagen by the same route.

An initial offering of 28% of the mining company's share capital last month was oversubscribed so heavily that Bonn intends to release all but 28% of its holdings.

Before any stock can come up for public sale, however, the federal government must first succeed in getting the company released from trusteeship. It's caught in the middle of a legal tug-of-war for ownership between Bonn and Lower Saxony's state government.

"People's shares"—the means chosen by the Adenauer

MORE NEWS ABOUT BUSINESS ABROAD ON:

- P. 79 Pemex, Mexico's state-run oil company, begins spring housecleaning to put its operations in the black—and on a business-like basis.

government to divest the state of the huge industrial properties left in legacy by the Third Reich—are nominally priced stocks. They can be bought only by the "small investor," whose annual income does not exceed about \$3,800.

Volkswagen, West Germany's biggest industrial property in the hands of the state, has a nominal capitalization of about \$95-million. Annual sales last year were over six times that amount. If the company is sold, buyers would be limited to about five shares each.

A compromise may now be in sight. Impressed by Preussag's quick success, Saxon officials are beginning to talk already of a "fair share" of the proceeds from sales of Volkswagen stock.

• • •

Soviet Union Displaces Britain In Plans for Iraqi Steel Mill

An unconfirmed report from Baghdad indicates that Iraq is backing out on a contract with an English company and accepting help from the Soviet Union for construction of a steel mill.

Although Mackenzie Engineering, Ltd., London consulting engineers, has received no word from Baghdad, a spokesman indicated the company was crediting reports that its contract for planning the 60,000-ton-a-year steel mill had been canceled.

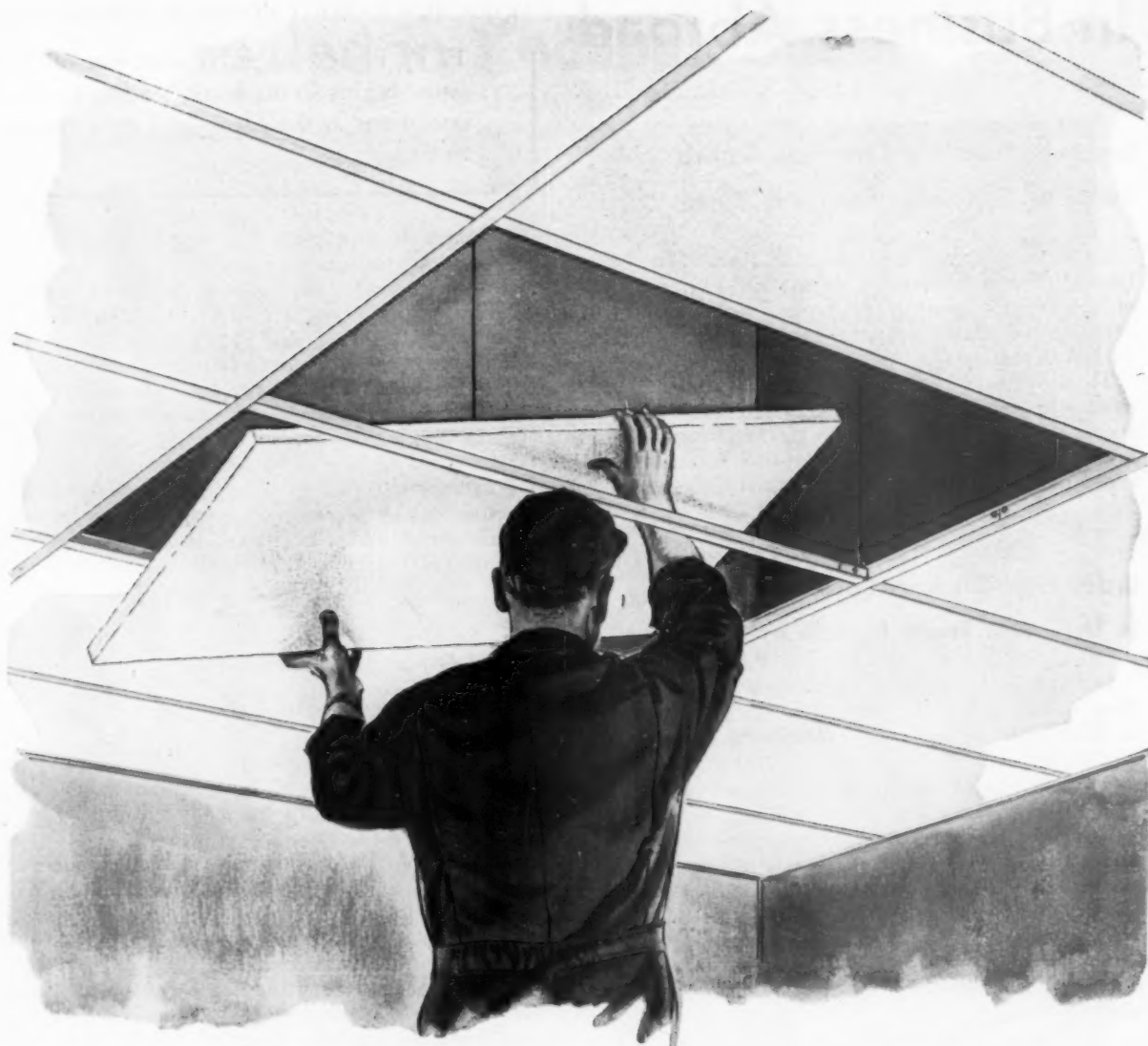
The project was one of the Iraq Development Board's major industrial undertakings—and was to have been built under an assistance program with Britain. Now, the mill is one of about 25 projects that the U.S.S.R. is slated to build under agreements concluded in Moscow recently by Iraq's new economics minister, Ibrahim Kubba.

• • •

British Machine Maker Moves Toward Interest in Foote Bros.

Acquisition of a minority interest in Foote Bros. Gear & Machine Corp. of Chicago, by Britain's David Brown Corp., Ltd., is described this week in a plan announced by Foote. The proposal will be submitted to Foote stockholders at a special meeting next month.

David Brown, maker of machine tools, gear production accessories, and tractors, would acquire 150,000 shares of the Chicago company's stock for \$9 a share, with option to buy more. Foote would apply \$1-million of the \$1.35-million thus acquired to a long-term loan made last month when it acquired Whitney Chain Co., Hartford, Conn. The plan gives Brown two seats on Foote's board, which now has five members.



In noise control... the big news for 1959 is **Panelglas**—

a product of **JOHNS-MANVILLE FIBER GLASS**

With L·O·F Glass Fibers Company joining the J-M family, your Johns-Manville acoustical contractor can now offer you Panelglas, the new "lay-in" ceiling panel made of J-M Fiber Glass.

Panelglas soaks up as much as 90% of the sound waves that strike it. Large 2 ft. x 4 ft. panels fit neatly and squarely into a simple suspended grid system. They are easy to put up—equally easy to remove for access to overhead fixtures.

Panelglas panels stay smooth and rigid—make a handsome slightly textured, light-reflecting ceiling.

Quell distracting noise. Step up working efficiency. Put up a ceiling of sound-deadening, good-looking Panelglas. To get all the details, write to Johns-Manville, Box 16, New York 16, N. Y. In Canada, address Johns-Manville Company, Limited, 565 Lakeshore Road East, Port Credit, Ontario.

Panelglas joins the famous J-M Acoustical Products

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- PERMACOUSTIC®
- DRILLED MINERAL TILE
- FIBRETONE®

JOHNS-MANVILLE



Pemex Gets New Boss, New Rules

Mexico's oil monopoly reverses old policies to seek foreign financing—and to operate at a profit on a business basis.

Petroleos Mexicanos, S.A. (Pemex), the Mexican government oil monopoly, has just turned 21 years old. And it is on notice that it must stop playing the part of a pampered darling and start to earn its own living.

One of the first acts of Pres. Adolfo Lopez Mateos when he took office last December was to appoint a new president for Pemex. The new boss is Pascual Gutierrez Roldan (picture), a well-known businessman who made his mark running another government-controlled company—the Altos Hornos steel mill.

Then, to give the new man the political backing that he would need to "reform" Pemex, Lopez Mateos set up a new cabinet post—the National Properties Dept.—to oversee Pemex, Altos Hornos, and other major government businesses. The new department is headed by Eduardo Bustemante, an industrial lawyer closely associated with Gutierrez Roldan when both served as specialists in the Treasury Dept. years ago. Bustemante's post already is regarded as the most powerful position in the cabinet.

Compared with other state-run oil companies in Latin America, such as Brazil's Petrobras and Argentina's YPF, Pemex through the years has chalked up a fairly good record. Antonio J. Bermudez, head of Pemex for 12 years (BW—Oct. 20 '56, p30), pushed exploration and production to help make Mexico self-sufficient in oil (just as Brazil and Argentina are trying to do). He was successful in boosting the company's reputation—and even won over many U.S. businessmen who formerly doubted that any government-run oil industry could do a good job.

But Pemex operated year after year at a big deficit. Its payroll grew fat. Among Mexicans, it became an "untouchable" idol. Though seeing faults in its operations, Bermudez lacked enough political support at the top to clean up Pemex's organization.

I. Cleaning House

Now, under Gutierrez Roldan, Pemex is entering a new stage where the government hopes to make it as efficient and profitable as a well-run private company. The drive to put Pemex on a paying basis will need all the government protection it can get, for cherished political and ideological applecarts are being upset right and left.



NEW PRESIDENT of Pemex is Pascual Gutierrez Roldan, who came from managing government's Altos Hornos steel mill. He has been swinging the broom vigorously at Pemex.

Mexicans are finding it hard to accept the new, hardnosed view of their nationalized oil industry. Ever since the property of foreign oil companies was expropriated in 1938, Pemex has been processing and selling oil without any serious cost accounting. Fuel oil and gasoline were felt to be "the property of the people" and were sold to Mexicans at ridiculously low prices. Financing from foreign banks was shunned for fear "the foreign trusts would return to rob Mexico of its oil riches."

As president of Pemex, Bermudez tried several times to raise prices of products and to get foreign loans for needed expansion. But political interests repeatedly blocked these and other attempts at cleaning house.

• **Model for Nationalists**—Despite frequent warnings that all was not well,

Pemex became a shining example, in other Latin American countries, of how an oil business can be run without the help of foreigners. Production expanded from 70,000 bbl. to 300,000 bbl. a day; reserves, from 835-million bbl. to 4.7-billion. But Pemex had one big advantage over Petrobras, YPF, and other government companies: It started by taking over a going industry from U.S. and European oil companies.

Now it appears that that nationalizers' idol has feet of clay. Mexico has been rocked by government-backed articles exposing scandalous payroll padding and kickbacks, by a boost in prices of Pemex products, and by the company's announced intention to seek foreign help in its vital expansion.

Gutierrez Roldan came into office with no illusions about the urgency of his "new broom" task. For the first



Cooler gloves are aid to safety

When warm Spring days come, employees tend to become "careless" about wearing work gloves. The nuisance hand injuries that result are costly. To combat this problem, many plants supply or make available lighter, cooler, palm-coated gloves for operations where palm-coating gives ample protection. The fabric backs provide welcome ventilation while the palm coatings, of rubber, plastic or Neox neoprene, protect from cuts and abrasion. They so far outwear ordinary canvas or leather palms that cost savings are often astonishing.

Free Test Offer to Employers: Edmont makes a dozen types of palm-coated gloves with different wear and gripping characteristics to fit different jobs. Tell us your operation. Without cost we will recommend correct gloves and supply samples for comparison testing on-the-job.

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Edmont
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Here's How! We've put much of our experience in printed form. A request on your letterhead will bring you any of the following: a. "Plan Food Service When You Build"; b. "Getting Good Food Service"; c. "What Food Service Should Cost You".

We will also include the United Food Service "Clinic" form that will enable you to make a really "experienced" analysis of your own food service facilities.

United Food Management Services, Inc.
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Please send booklet (a) (b) (c) "Clinic" to:

Name _____	Title _____
Company _____	
Address _____	
City _____	Zone _____ State _____

time in history, Pemex published a financial statement this month, showing \$416-million in gross income this year—nearly 60% as much as Mexico's entire national budget—and \$436.8-million in expenditures.

To balance this budget, Gutierrez Roldan counts on the effect of price increases and the weeding-out of corrupt practices and deadwood on the 45,000-man payroll. His staff feels that \$20-million can be lopped from the \$100-million annual payroll.

• **Price Resistance**—Mexico's economy is built on petroleum fuels, since the country lacks sufficient coal or water-power to produce much electricity. Industrialists, farmers, and car owners who had benefited for years from artificially low prices, especially on gasoline, raised an uproar at the recent price rise.

"Do you want us to keep you, feed you?" Gutierrez Roldan retorted. "We must get a reasonable price, or we will eventually have to import your fuel at even higher prices."

The bottleneck for Pemex is in lack of enough pipelines and refineries to get the highest gasoline yield out of its oil. The company has long been selling low-value heavy oils abroad while importing high-value gasoline to sell to Mexicans at a loss.

• **Graft Cleanup**—Leaving his post at Altos Hornos in January, Gutierrez Roldan found at Pemex an organization burdened by a long accumulation of political jobs for deserving relatives.

The way was paved for a thorough housecleaning by a series of articles written by Antonio Vargas MacDonald, whose appointment as public relations director for Pemex came straight from Pres. Lopez Mateos.

MacDonald informed Mexicans that their "glorious oil company" was not so glorious after all. He documented the series with examples of graft, job-selling, kickbacks in buying equipment and letting contracts, and abuses by the "aviadores" (aviators)—political job-holders who fly into Mexico City once a month to pick up Pemex paychecks and then fly out again.

Since taking over the reins, Gutierrez Roldan has lopped off "deadwood" on the payroll at the rate of several hundred a week. Even top brass, previously untouchable, has drawn his fire. Jaime J. Merino, the "king of Poza Rica" (Mexico's leading oil-producing area), was transferred to an obscure office in Los Angeles.

II. Building Up

To get Pemex facilities into better balance, Gutierrez Roldan is openly beating the bushes for foreign credit. He wants to spend heavily on transportation, which chiefly means pipelines, refining, and petrochemicals. That

Climate by Chrysler

...pure cool air for dogs,
dames and desperadoes!



"It only took the men a couple of hours to hook Chrysler Air Conditioning to our furnace. And pardner! You should feel the difference. We'll have Montana Spring in our home now—all year long."

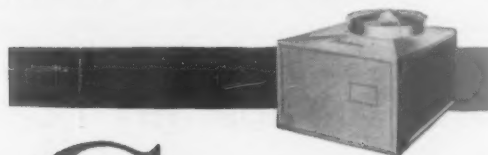


"I may not look it, but I'm *really* smiling ... now we've got Climate by Chrysler. It's got a special Climate-Minder Control that keeps me always comfortable—automatically. Turns on the air conditioning when it gets too warm. Turns up the heat if it gets too cool."



"We're happier with Chrysler—saved almost half the cost by using our present furnace. Healthier, too. The exclusive Chrysler electrostatic filter *purifies* the air we breathe. Traps up to 20 times more dust and dirt. Kills germs electronically. And rids our home of smoke, odors and fumes."

It's not too early to begin enjoying Climate by Chrysler in your home ... or in your office. Remember: More businesses do more business with Chrysler Airtemp—the company that pioneered packaged air conditioning. Your local Chrysler Airtemp dealer will be happy to provide a free survey of your home or business air conditioning needs. Why not give him a call—his name is in your Yellow Pages.



CHRYSLER AIRTEMP

Airtemp Division, Chrysler Corporation, Dept. C-49A, Dayton 1, Ohio

Rockwell Report



by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

A TRULY DEPRESSION-PROOF BUSINESS is—like a true perpetual motion—a fascinating goal that will always, probably, lie just beyond reach. Our Power Tool Division is far from depression-proof, of course—but it does have several built-in characteristics that make it a healthy enterprise in itself, and also a very desirable facet of our diversification pattern.

These self-balancing characteristics were highlighted in a recent Power Tool Division analysis of past performance and future potential. For instance, during the period of depressed industrial buying in late 1957 and the first three quarters of 1958, the inevitable slacking off of power tools sales was in part offset by an increase of 10% in sales of power tools to home craftsmen. There are two primary reasons for this: During periods of light employment, many men have more leisure time; and they also have a greater need to do home repair and maintenance jobs themselves instead of hiring someone to do them. Delta Homecraft Power Tools had their greatest growth during the depression of the 1930's.

Another factor also tended to soften the drop in our Delta and Walker-Turner industrial power tool sales during the recent recession when practically all metalworking plants had to curtail capital expenditures. That factor is what we call "low-cost automation"—the combination of inexpensive, versatile, power tools with standard automatic control devices to realize many of the advantages of automation at a fraction of the usual cost. This has tended to broaden our power tool market to include many industrialists who formerly thought only in terms of costly single purpose machine tools.

In the future, the Power Tool Division sees a number of important markets (metalworking, general industrial, light construction) growing at least as fast as population. With increasing leisure time, the home workshop market will probably expand somewhat faster than population. The school shop market, always important for us, will continue to grow at a rapid pace for many years, and is a leveling influence in times of industrial slow-down.

* * *

Pioneering research is becoming more and more vital in the race to keep ahead of advancing industry requirements. Evidence of this within our organization is the fact that the laboratories of our subsidiary, Edward Valves, Inc. probably house more skilled technicians and more research equipment than any other laboratory devoted exclusively to steel valve research. Fifty-five per cent of the present Edward Valves product line was introduced within the past five years.

* * *

The philosophy of "togetherness" is being attacked by the advocates of "apartness," who fear that too much family group activity is causing man to lose his individuality. Buyers of our Delta Homecraft Power Tools live on both sides of this philosophical fence. A well equipped home workshop is perfect for families who enjoy constructive home projects together; it is also a wonderful place to "get away from it all" and relax in solitary peace.

* * *

Socialists usually imply that if all profits were taken away from business, everyone would be a lot better off. Just how much better off? If dividends of all U.S. corporations were distributed on a per capita basis, each citizen would receive about \$1.27 per week, before taxes—almost a pack of cigarettes a day for adults, plus a few sticks of bubble gum for the children.

One of a series of informal reports on the operations and growth of the

ROCKWELL MANUFACTURING COMPANY
PITTSBURGH 8, PA.

for its customers, suppliers, employees, stockholders and other friends



way, he hopes within three to five years to have at least \$15-million in annual profits to plow back into new programs.

So far, Pemex has been granted \$52-million in loans and credit lines from eight private U.S. banks and \$20-million in the first foreign credits granted by a banking group from Western Europe's six-nation Common Market. It is negotiating with Credit Lyonnais of France for another \$50-million, aiming at a total of around \$200-million in credits by yearend.

• **Pipelines**—The biggest high-priority item on the expansion program is a 600-mi., \$43-million natural gas pipeline from the Isthmus area to Mexico City. It will tap a huge, so far unused gas field. The project will soak up a \$40-million loan from Chase Manhattan Bank, Chemical Corn Exchange Bank, Bank of America, and Hanover Bank.

Another rush job is under way between Monterrey—a steel, glass, and beer center—and Torreon, a textile city. Two pipelines are being built, one for natural gas and the other for refined products. The \$12-million cost is covered by loans from Continental Illinois National Bank & Trust Co., and New York Trust Co.

• **Petrochemicals**—Pemex is looking for new profits through an upgrading of its product. It is going into the production of basic petrochemicals, leaving the way open for private Mexican and foreign companies to turn these materials into industrial and consumer products. New refineries will be built and old ones modernized with this aim in mind.

Already a long list of refineries and petrochemical plants is ready for construction:

• In the Isthmus area, at Minatitlan, an \$8-million anhydrous ammonia plant and a \$15-million aromatic extraction plant, both to be built by Fluor Corp., and \$12-million worth of new refinery units. At La Venta, a \$10-million gas absorption plant to be built by Hudson Engineering Corp.

• In the Central Gulf area, at Tampico, refinery expansion and a new electric plant (almost completed) for \$41-million, engineered by Arthur G. McKee & Co.; a \$6.5-million butadiene plant, and a \$1-million tetraethyl plant. At Vera Cruz, a natural gas refining expansion costing \$6-million.

• In the Mexico City area, a \$3.5-million carbon black plant, a polyethylene plant costing \$10-million (BW—Jun. 15 '57, p140), and \$24-million expansion of local refinery.

• In the North Central area, an \$8-million anhydrous ammonia plant and a \$12-million cat cracker at Salamanca, and an \$8-million anhydrous ammonia plant at Torreon. **END**



WHAT BORDEN CHEMICAL EXHIBITS AT THE MODERN MUSEUM

It's Borden's special latex mastic. It underlays 18,000 square feet of exhibit flooring space at the Museum of Modern Art in New York City. Big feature it exhibits is its extraordinary resistance to the point load indentations of statutes, exhibits and heavy furniture. That's not all. It went on fast, and was set and ready to work on in two hours. ★ If you are in the flooring business—

or are in packaging, plastics, paint, textiles, paper or forest products—chances are Borden can help you, too. Borden is a leader in resin chemistry—has the widest range of thermoplastic and thermosetting resins and polymers in the business. Name your problem! Write The Borden Chemical Company, 350 Madison Avenue, New York 17, N. Y.

IF IT'S A **Borden**  **Chemical** IT'S GOT TO BE GOOD!



The treasurer's sold on Ford's savings in gas (use regular), oil (go 4000 miles without a change), and upkeep (mufflers last twice as long; superior finish never needs waxing).



The salesman is sold on Ford's easy-to-get-at trunk space. Ford's low-level trunk opening makes for easier loading and unloading . . . nearly a foot lower than Ford's nearest competitor.

Why business is **SOLD** on Ford

When you can get *more car* for your money . . . it's just plain good business to do so . . . and that's the story behind the big switch to Ford in the business fleet world.

Fleet salesmen have found there's no more beautiful way to do business than in a beautifully proportioned, new Thunderbird-inspired Ford. (No more *comfortable* way, either. For doorways are wider and easier to get in and out of. And the higher, better-positioned seats in a 59 Ford are more *fully* cushioned.)

While fleet *buyers*, on the other hand, are sold on the way the 59 Ford saves *money*. Ford saves them plenty when they buy, for it's lowest priced of the most popular three. And it *keeps right on* saving, mile after mile after mile. Like the way it uses *regular* gas for a savings of up to a dollar a tankful. The way it can go 4000 miles without an oil change. And the way it's built for longer service and lower maintenance with its aluminized muffler that lasts twice as long as ordinary ones.

Now is the time to make wonderful dollars and sense with

59 FORD FLEETS



In Finance

• • •

Universal CIT Credit Corp. Invades

Repair, Modernization Loan Field

Universal CIT Credit Corp., the nation's second largest sales finance company, announced plans last week to make repair and modernization loans to home owners. **The repair and modernization field has been dominated by commercial banks**—which hold \$1.6-billion or 75% of the \$2.1-billion in such loans outstanding—and mutual savings banks and savings & loan associations, which have most of the rest.

Repair and modernization loans have grown rapidly since the war—in 1945, loans outstanding amounted to only \$182-million. The banks and savings & loans have taken most of the business because they can get Federal Housing Authority guarantees on this paper and thus can charge rock-bottom interest rates.

CIT says that its "Property Improvement Plan" won't come under FHA and therefore its rates will be higher than those normally charged by the commercial banks. But CIT thinks that its nationwide network of close to 400 branch offices gives it a selling organization that can help offset the rate differential.

• • •

NYSE Makes Solicitation of Proxies

Mandatory for Big Board Companies

In a move designed to "strengthen stockholder rights," the New York Stock Exchange announced this week that all actively operating companies listed on the big board must solicit proxies from their stockholders. The requirement, which will affect the 28 companies that do not solicit proxies now, is effective Dec. 31, 1961. It will mean disclosure of additional financial information which presently need not be made public.

It also will mean that stockholders in the affected companies—including Johnson & Johnson, American Cable & Radio, Anaconda Wire & Cable—will get a chance to vote at annual meetings without having to attend in person. These companies haven't solicited proxies in the past because management has sufficient voting strength to keep itself in office.

• • •

Automatic Check-Sorting Machines

Approved by Regional Feds for Trial

Complete automation for bank check collection moved one step closer to realization this week. The 12 regional Federal Reserve Banks announced agreement on a plan for pilot installations of new high-speed electronic check-sorting machines.

In so doing, the Fed accepted the recommendations of the American Bankers Assn. for a uniform system

MORE NEWS ON FINANCE ON:

- P. 88—Ryder System Jumps Into Equipment Leasing.
- P. 96—Pattern: Don't Shoot the Speculators.

for checks to be used by all banks with electronic sorters. A line of black magnetic-ink characters will appear on the bottom of the new checks, giving an identifying number for the bank on which the check is drawn, the depositor's account number, and the amount of the check.

Big companies with a heavy check volume will imprint their own checks with equipment integrated into existing accounting systems. Small businesses and individuals will get checks with bank routing symbols and account numbers already imprinted; the amount of each check will be imprinted by the teller when the check is deposited. **A typical electronic sorter can "read" and classify these checks at the rate of 1,500 per minute.**

In addition, the ABA released a final report on magnetic-ink checks, giving complete approval to the plan and spelling out technical specifications for the manufacturers of the equipment.

Meanwhile, the manufacturers—Burroughs, IBM, GE, National Cash Register, Remington Rand, and Pitney-Bowes—are all tooling up to meet an expected rush of orders. **So far, most of the interest in the new system has been confined to the big city banks.** But with the public writing about 13-billion checks every year and this volume increasing at a rate of 1-billion checks a year, it's expected that banks generally will have to automate in order to keep up with the flood. The ABA hopes that nearly all of the 25-billion checks anticipated in 1970 will have magnetic-ink identification.

• • •

Bank President Predicts Early Rise

In Federal Reserve's Discount Rate

The combination of heavy demand for bank credit and continued restraint by the Federal Reserve is likely to produce further hikes in the Fed's discount rate, S. Clark Beise, president of the Bank of America, predicted this week. The Fed lifted the rate from 2½% to its present level of 3% only a month ago.

Beise said that credit demand, particularly for durable installment financing, mortgage loans, and financing by the public sector should rise during the second half. "Consequently," he said, "as a guard against inflationary pressures . . . the monetary authorities are likely to continue to pursue a restrictive policy in the last half of 1959. Some additional increase in the Federal Reserve discount rate might therefore be expected."

Other bankers agree with Beise's forecast. One bank economist in New York adds that the second quarter should see a sharp upturn in the rate of business inventory accumulation. The resulting growth in bank loans, he says, means that **the banks' prime lending rate—paid by companies with the best credit ratings—"should go up almost anytime now."** This rate stands at 4%, unchanged since November, 1958.

TRAFFIC JAM AVOIDED. As recommended by Scott, fountain unit for Connecticut General Life Insurance Company's print shop employees is centered in the room. Towel dispensers located a short distance from the fountain draw employees away to avoid congestion, speed washing.



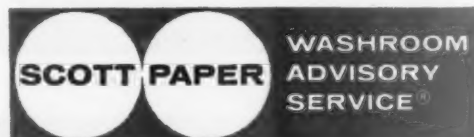
RECESSION SAVES MONEY. Recessed soap dispensers, ash trays and Scott towel dispenser-receptacle units are features which speed maintenance, reduce janitorial costs at Polaroid Corporation's handsome new film-processing plant. So are ceiling-high tile walls, off-the-floor fixtures, ample lighting. Two men and one matron service 12 washrooms on three floors with time to spare for other work.

EMPLOYEES LIKE NEW LOOK. Important goal of complete remodeling at the Philadelphia National Bank was cheerful, comfortable working conditions for employees, typified by the pleasant ladies' washroom and lounge. Scott Washroom Advisory Service worked with the architect. Reported results—"excellent!"



Free aids show how to cut maintenance costs, improve washroom appearance and efficiency with help of Scott Washroom Advisory Service

Scott's experience in helping to plan nearly a million washrooms and lounges for business and industry is condensed for you in booklet, folder and film form. These describe certain basic principles in washroom design that make employees' working environment more pleasant and efficient, while reducing maintenance expense. Send for any or all today. No charge or obligation, of course.



CLIP AND MAIL COUPON TODAY



Please send illustrated 32-page booklet, "Scott Washroom Advisory Service," on planning and design of washrooms, locker rooms and lounges for even traffic flow, minimum maintenance, better appearance.



Arrange for us to see your film, "The Day that Dooley Found Peace," a sound-strip film about high costs and employee complaints. How Dooley solves these problems may suggest new ideas to you!



What's new in modern washroom fixtures? Send "Sweet's Catalog" folder with descriptions and dimensions of Scott Washroom Fixtures designed to increase efficiency and minimize maintenance time.



Show us your new Washroom Advisory Service Fact Finder—a circular calculator that quickly determines servicing time norms, according to your type of washroom facilities and the number of fixtures.



We'd like a Value Analysis of our present washroom expenses. Send "Washroom Cost Survey" form for analyzing maintenance and installation costs.

EFFICIENT DESIGN PAYS DIVIDENDS.

This washroom at John Wanamaker department store incorporates many of the principles of Scott's Washroom Advisory Service—recessed wall receptacles, off-the-floor equipment, ample lighting at point of use, easy-to-maintain tile walls and floor, proper traffic flow from washbowls to towels to exit doors. Such efficient facilities pay for themselves in maintenance savings over the years.

MIRROR CHECKS PLUMBING TROUBLE.

Ladies' lounge at Mutual Trust Life Insurance Company reflects suggestions from Scott's Washroom Advisory Service. Mirrors are located away from washbowls to prevent hair-clogged drains. Lipstick dabs (note holder mounted on mirror) save paper towel expense.

SCOTT PAPER COMPANY, Department BW-94
Front & Market Streets, Chester, Pennsylvania

Without cost or obligation, please send your Washroom Advisory Service aids I have checked above.

Name

Title

Company

Street

City Zone State

The person below is concerned with washrooms in addition to, or instead of, myself. Please send him the same information.

Name

Title



TRUCKS owned by Ryder Truck Rental, leased to businesses such as Blatz, form corridor for Ryder System Pres. James A. Ryder.

Everything's for Rent at Ryder



COMPTOMETER figures in lease deal signed by Sidney Kuswork, Jr., head of Miami Window Corp., with Ryder Leasing.

In the rough-and-tumble trucking industry, 45-year-old James A. Ryder, chairman and president of Miami's Ryder System, Inc., stands out as perhaps the roughest and toughest competitor of them all. He has built Ryder System into a holding company that runs the nation's No. 9 highway common carrier and No. 2 truck leasing outfit. Now he is offering to lease any and all kinds of equipment to businessmen—from dictaphones to river barges and logging gear (cover and pictures).

Ryder has all the bulldog tenacity of a roughneck trucker who learned his trade behind the wheel of a van. He started his company in 1933 with one truck, purchased on time, and \$30 cash. The system's 1958 revenues were \$60.4-million.

Some of his bold and imaginative ventures have turned sour. In 1957, for example, he gave up on Borinquen Steamship Co., an experiment in roll-on, roll-off cargo carrying between Miami and Puerto Rico. But he's constantly racing ahead with new plans.

• **Lofty Goal**—The leasing venture, launched through a new subsidiary, Ryder Leasing, Inc., could be the boldest play of all. It takes him into the business of equipment leasing, known in the industry as finance leasing. And

Ryder insists his company will be tops in the field by the time the year is out, despite the fact that the two present leaders, U. S. Leasing Corp. and Boothe Leasing Corp., are well entrenched. At the end of 1958, U. S. Leasing, formed in 1952, had \$29-million in rentals receivable—the amount due it on existing leases, a yardstick generally used by the industry; Boothe, formed four years ago, had \$27-million.

I. Trucks: Hauling and Leasing

Actually, equipment leasing isn't too far removed from Ryder's present field of operations. The system is broken down into two main types of business, besides the new leasing subsidiary:

Ryder Truck Rental, Inc., is the truck leasing side—and the fastest growing and most profitable. In 1958, it provided \$25.4-million in revenues (some 20% of the total from transient rentals) compared with only \$2.5-million in 1948. This year, revenues should reach \$45-million.

Trucks are leased on a full service arrangement. Ryder provides everything except the driver—trucks, maintenance, insurance, gasoline, and repair work. Most of the leases run for four years or more, and charges are figured

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59



SERVICE performed on trucks by Ryder under lease deals makes money, saves trouble for the lessee.

MACHINERY in Astronautics Engineering plant near Miami was bought by Ryder, leased back to the company.

ULTRASONIC BREAKTHROUGH!



ONLY ACOUSTICA ULTRASONIC CLEANERS HAVE MULTIPOWER!

The Multipower transducer developed by Acoustica research, multiplies the power and efficiency of ultrasonic action. Cleaning is faster, better, labor costs are lower. Acoustica ultrasonic cleaners are built for performance and durability. They are engineered to the finest standards, unequaled in quality and value.

Off-the-shelf in capacities from 1 to 75 gal. or custom built to 5000 gal. and more. Expert Acoustica engineers can help you with your cleaning problems. Send for further information.

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.....

Acoustica Associates, Inc.
Dept. BW, 26 Windsor Ave., Mineola, N. Y.

Send information describing advantages of
Acoustica ultrasonic cleaners.

Name _____

Company _____

Address _____

City _____ Zone _____ State _____

.....

"... Ryder claims that his far-flung sales force will introduce equipment leasing to thousands of small customers who already know and trust the Ryder name ..."

STORY starts on p. 88

on a time basis, plus a fee for total miles operated.

The company also has just put itself into the auto leasing field by contracting to buy Dixie Drive It Yourself System in Birmingham for \$7.1-million. Dixie has 1,700 trucks, 1,300 autos. It had revenues of \$5.7-million last year, expects a 20% increase in 1959.

Ryder's common carrier division, which hauls freight throughout the East and Southeast, operates through a number of subsidiaries—Great Southern Trucking Co., T.S.C. Motor Freight Lines, Inc., and Ryder Tank Line, Inc. Revenues from these subsidiaries in 1958 were \$35-million, compared with \$9-million in 1948. Projected revenues for this year are \$45-million.

Ryder also has four proposed acquisitions of other motor carrier lines on file with the Interstate Commerce Commission; two have been denied, but are up for appeal. If these four deals go through, Ryder would leapfrog from ninth place in the common carrier field to second or third.

• **Market Potential**—Ryder thinks the market for his hauling lines is still relatively untapped, but he's not sure that their earnings prospects are too favorable because of ICC regulations on rates. For example, net income for his carriers increased from \$412,000 in 1948 to slightly more than a pre-tax \$1.7-million last year, while earnings from truck leasing activities started from a lower base and already have gone ahead of straight hauling as a percent of revenue.

Total net income for Ryder System last year was \$2.3-million; this year, Ryder expects to net \$3.3-million and boost per-share earnings to \$3.49 from \$3.01.

II. Leasing Gets Diverse

"With close to 190 trucking and truck leasing locations spotted across the map," says Ryder, "we can't miss in the finance field." He points out that these branches put him into 89 cities in the U.S. and Canada; U.S. Leasing has offices in 13 or so, Boothe only in seven.

Ryder claims that his far-flung sales force will introduce equipment leasing to thousands of small, local customers who already know and trust the Ryder name—and whom the Ryder men know. "Our men will be able to give us a quick yes or no whether leasing should

be extended to those customers," he says. "They won't have to wait for time-consuming credit checks."

• **Vogue**—Leasing capital equipment isn't a new concept, by any means. A good number of manufacturers lease all or part of their equipment to customers (BW—Nov. 22 '58, p92). But leasing as a separate business has sprouted swiftly over the past five years, as capital needs for industry have grown. One source says a total of about \$1.5-billion worth of capital equipment was leased in 1958—three times the estimated figure for 1953. And the deals are getting bigger all the time. Such top-drawer companies as Merritt-Chapman-Scott, Clary Corp., and Thompson Ramo Woolridge use it to an increasing degree. At least 50% of American business takes advantage of leasing in one form or another.

The reason for the vogue is that big companies can acquire new equipment without denting capital. Some companies just can't spare the cash, or find that leasing produces that much less drain on their resources. Others figure their money could be invested more profitably elsewhere at the moment, even though the lease could cost them more in the long run than an outright purchase. Many companies lease because they don't want to borrow money for equipment; this is particularly true of smaller companies which find it hard to attract new capital and don't want to dilute their equity.

Ryder thinks leasing's rate of growth shows no sign of shrinking, and he hopes to have \$50-million in assets under lease by 1960. And he's setting up a foreign lease service; he has just returned from trying to impress the Guatemalan government with the financial advantages of its leasing equipment for construction work.

• **Criticism**—But there are drawbacks to leasing. In many cases, the leasing of equipment costs so much more than outright purchase that it isn't worth the effort. In addition, fixed annual payments become dangerous in a period of declining profits. Besides, a company can always borrow on its own equipment; it can't on rented stuff.

Ryder has an answer to most arguments. He claims that each contract will be tailor-made and thinks that this will be of benefit to both the lessee and himself.

The lease contract itself is an agreement that can't be canceled. Ryder



"WEIRKOTE® WON'T PEEL OR FLAKE—AND CAN END THE NEED FOR FURTHER CORROSION PROTECTION AFTER FABRICATION."

Q. A zinc-coated steel sheet that won't peel or flake, even under the severest fabricating stresses?

A. Precisely. Weirkote's made by a continuous process. The zinc is so integrated with the steel that even the toughest "torture" tests of fabrication leave that bonded coating intact. You can work Weirkote to the very limits of the steel itself!

Q. Our products are pretty intricate—take lots of flexing, crimping and so on. What about those hard-to-reach places?

A. Weirkote's zinc coating is so uniform—protects even the most complicated parts.

Q. So with Weirkote you bypass the need for further corrosion protection?

A. You get the picture! Think of the time, labor, space—the costly capital outlay—you save. Better steel products at far lower costs—that's Weirkote for you!

Send for free booklet that details the time-and-cost-saving advantages of skin-tight zinc-coated Weirkote. Just write Weirton Steel Company, Dept. U-2, Weirton, West Virginia.



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COMPANY**

WEIRTON, WEST VIRGINIA

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NATIONAL STEEL CORPORATION

\$75,000,000

Armco Steel Corporation



Twenty-five Year 4.35% Sinking Fund Debentures

Due April 1, 1984

Price 100%
(plus accrued interest)

This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus, copies of which may be obtained from the undersigned only in such States as the undersigned may legally offer these securities in compliance with the securities laws of such States.

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Stone & Webster Securities Corporation

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April 1, 1959.



Built to take it



RIBBON BY

Columbia

Columbia Ribbon & Carbon Mfg. Co., Inc., Glen Cove, N. Y.
Columbia Ribbon & Carbon Pacific, Inc., Duarte, Calif.

36

Numbers game.

Easy to play.

*Goes between the city
and the state.*

On the letter.

It's the zone.

Makes your mail go faster.

Ours is **36.**

What's yours?

Let everyone know.

BUSINESS WEEK

330 W. 42nd St.

New York **36**, N. Y.

buys and places the equipment with the lessee, who pays a stipulated rental fee over the life of the lease. Repairs and upkeep of the equipment usually have been up to the lessee, but Ryder may flout the tradition.

Setting the terms of the contract involves a host of things: analysis of the equipment's earning power, the geographical area in which it is located, its life, its resale value. Essentially, however, it's written to fit a company's needs. For example, for machinery to be used on defense contracts jobs, the lease often is written for the specific period covered by the contract. If there's danger of obsolescence, the lease also can take this into account.

III. Financing the Venture

Up to now, Ryder Leasing has been working with a pool of \$2-million in capital, drawn from the capital funds of the total system. With this equity stake, Ryder thinks the banks will advance him close to \$30-million in credit lines, provided his initial leasing deals prove out.

Some of the new deals and those on the stove:

- A Miami grocery chain is leasing \$150,000 worth of cash registers.

- An aluminum manufacturer is leasing a \$200,000 milling machine.

- A Northern textile company is discussing a lease on rug and carpet-making machinery worth \$1-million.

- One company, Allied Products of Florida, Inc., is talking about a package deal, \$300,000 worth of full service truck leasing plus aluminum producing machinery and office equipment.

- **Profit Prospects**—While Ryder chalks up a profit on each lease, he expects the bulk of his profits to come from resales and renewed options, depending on the deal. Thus far, the profits of U.S. Leasing and Boothe look small against the volume of business they do; U.S. Leasing showed a profit of only 2.8% or 17¢ per share—in 1958 on a volume of \$16-million.

Profits tend to be small partly because the business of equipment leasing is so new that there have been few resales of equipment—figured to be all gravy for lessors, since by that time the original cost has been written off. Still, there's doubt that profits will rise substantially without higher rental fees. And now with Ryder and others joining the field, higher rentals might be hard to push through.

- **Ryder's Forecast**—Ryder looks for a 1%-to-2% profit before taxes on each dollar of revenue during a lease agreement's initial life, but he's counting on a 3-to-5% profit on renewals, since he already will have fully amortized the equipment.

On resales, Ryder is more optimistic,



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droned on Publisher Greenleaf.

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"... and with faith in our local industries..." One of which, by the way, was the Almost-as-Good Cable Company, Inc. That's why the plant was wired with *their* power cables instead of the Okonite Cables for which the engineers were plumping.

Anyhow, the speech had to end sometime. And as soon as it did, Greenleaf would push the button, and the first copies of the Chanticleer's special, 200-page New Plant Issue would start whizzing down the chutes into the delivery trucks.

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"Oh, push the doggone button," snapped his wife.

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thinks he'll get 20 to 25% of the original cost of the equipment—all gravy. (Some lessors say Ryder is aiming too high.) But Ryder also acknowledges that most companies probably will renew for at least several years because they'll be getting sharply reduced rates on renewals. This could cut deeply into resale profits, since the equipment will be worn-out by the time it's ready for resale.

Over-all, Arthur H. Bernstein, vice-president and treasurer of Ryder, estimates that the company at the outset will earn only a 1% gross profit before taxes on every dollar of revenue in an equipment lease deal. However, he points out, Ryder gets about 10% gross profit on every dollar obtained through full service truck leasing because it profits on every service performed to maintain a truck. So one of Ryder's main aims will be to woo more customers to truck leasing.

• **Good Risk**—Perhaps the most significant sign of Ryder's success is that it has been able to establish almost unlimited access to major capital markets.

In its early days, recalls one banker, Ryder thought finance just an ugly detail. In 1952, for example, when Ryder wanted to borrow funds to purchase Great Southern Trucking, the First National Bank of Boston was horrified by the size of its debt (four times net worth) and its tangled borrowing sources; it had about 100 different loans and notes outstanding.

But the bank felt it was worth some risk; so it loaned \$700,000 to Great Southern, which, in turn, advanced the money to Ryder to buy the company. First National continued to finance Great Southern's needs, but it stayed away from extending funds to the truck leasing business until Ryder increased its equity with public offerings of stock in 1955 and 1956. (The 1955 offering was made at \$10 per share; two weeks ago, a new 150,000-share offering was sold at \$48 per share.)

In August 1956, the bank finally made an over-all loan agreement with Ryder and opened a \$5-million line of credit. Now, under the terms of a new agreement signed last December, Ryder has a \$32-million line, with 30 banks participating. And Ryder's acquisition of Dixie should lure more banks and more funds.

• **Proving Itself**—But the company will have to prove its mettle in finance leasing before it gets additional bank credit for its business.

Ryder's admirers are confident he can pull it off. They point out that Ryder, who has a past reputation for impetuosity, is going into finance leasing slowly. Argues Ryder in his own behalf: "What we don't know, we'll learn. But our 'department store' leasing is sure to be a winner." **END**



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THE FINANCE PATTERN

Don't Shoot the Speculators

THE JOINT investigation of the government securities market by the Federal Reserve and the Treasury is seeking to find ways of developing a healthier market (BW—Mar. 14 '59, p170). Perhaps the first order of business should be a thorough examination of the knotty issue of speculation.

This is because the investigators have already concluded that "speculative excesses" last year were responsible for the roller-coaster action of bond prices. They say they hope to avoid "undue" or "excessive" speculation in the future.

No one is likely to disagree with this sentiment. There is a moral stigma attached to speculation, and any attempt to curb it usually wins applause. But this attitude should not go to an extreme, for speculation is an essential ingredient of a properly functioning market.

CONSIDER WHAT would happen if there were no speculation. The Treasury would be hard put to market its offerings to investors. It would have to depend on the Fed to underwrite each issue, and this would have a self-defeating inflationary effect.

What the Treasury and the Fed would like, of course, is a market in which there was just enough speculation to insure the successful marketing of each issue. This would be a market in which all the speculators made a profit, everybody was happy, and no one ever directed a word of criticism at the Fed and the Treasury Dept.

This is also an absurdity. By its very nature, speculation entails the risk of loss as well as profit. Speculators sometimes make a killing, but they also sometimes get hurt. The real problem is not to cut down on speculation but to keep it from generating wild swings in the market.

THERE IS NO DOUBT there was an excess last year. Normally, government bonds are bought by a small group of dealers, dealer banks, and big corporations; the dealers in governments then resell the securities to banks, corporations, other institutions, and individuals. But last year, a great many

newcomers piled into the market, lured by low margin requirements as well as fanfare about declining interest rates and rising bond prices.

A rise in the margin requirements for carrying government securities should help to prevent undue speculation. But speculative activity does not concern only the use of credit. The kind of speculation that the market experienced last year was due just as much to the widespread belief that government bonds were headed in only one direction—up.

The Fed and the Treasury were both involved in encouraging speculators to get into the market. The Fed was anxious to bring down the level of long-term interest rates without direct interference. It's "open mouth policy" was calculated to invite investors to bid up the price of bonds and thus bring a fall in rates. Similarly, the Treasury was eager to seize the opportunity to stretch out the average maturity of the debt; so it sold a huge amount of long-term bonds.

The huge amount of bonds the Treasury offered could not have been sold without speculation. Indeed, some market authorities believe that they could not have sold without "excessive" speculation.

Some of the speculators have, willy-nilly, become investors, simply because they were unwilling to take a big loss in unloading their purchases. That is the risk speculators must take, and there is no need to take measures to bail them out.

AT THE SAME TIME, any attempt to stamp out speculators would be a serious mistake. It is the speculators who stand willing to buy or sell who help to keep the market liquid and orderly.

Ideally, the joint inquiry would provide some firm ground rules—rules that do not destroy speculation, or speculators, in the government market but do curb excesses. But this would involve an investigation of the investigators, because real ground rules would apply not only to dealers, investors, and speculators but also to the two biggest factors in the market—the Fed and the Treasury.

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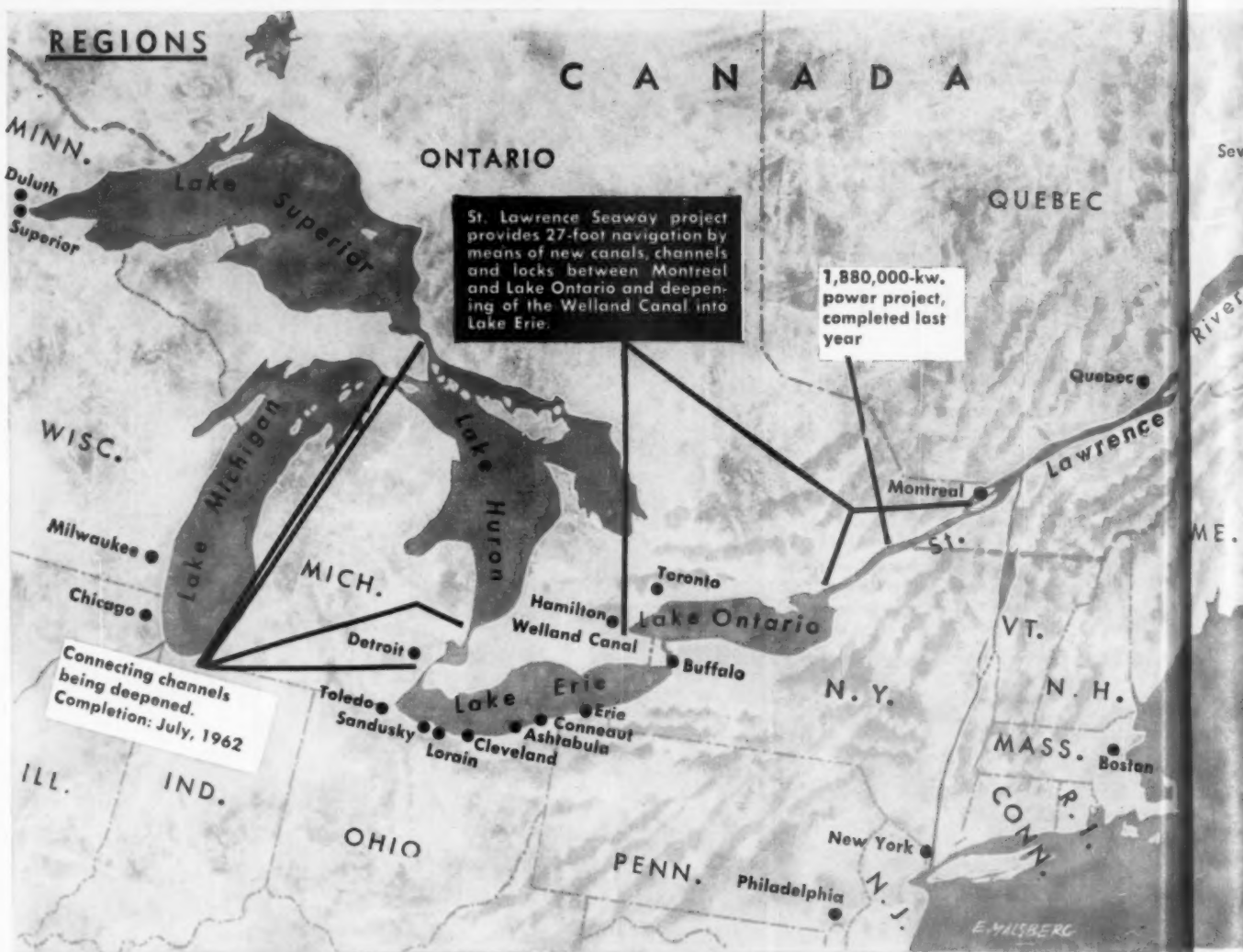


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Who Gains, Who Loses as

Ice permitting, navigation will start in little more than a week. It will take a full season for the lake ports, the rival freight services, and the shippers to learn the full effect of this channel to the heart of the continent.

On Apr. 20—unless the ice acts up—the first large ocean-going cargo ships will steam up the St. Lawrence River headed for the ports of the Middle West. The St. Lawrence Seaway, built after long years of wrangling and the spending of vast sums, will have opened up an alternate route linking the markets of the world to the American heartland. The Great Lakes will have become the fourth U.S. seacoast.

It's a stupendous project that's reaching its climax. The 27-ft. navigation from Montreal to Lake Erie has cost \$471-million, of which Canada spent \$340-million. Channels have been widened and deepened, new canals cut,

the number of time-consuming locks boosting ships up the 551-ft. rise has been reduced to 14 from 25.

In three more years, 27-ft. navigation will have extended to the head of the lakes. Army Engineers have been working since 1957 on the \$141-million job of deepening the uplake channels.

• **Smoke Clears**—Now that the Seaway has become a fact, some of the smoke is clearing away from the long battle for and against it. Passionate supporters are beginning to tone down their estimates of the boons it will confer. The railroads, which fought it every step of the way, are preparing to live with it and threatening dire competitive rate

cuts. Those other heated foes, the Atlantic and Gulf ports, are returning more to the old sport of competing with each other, rather than with the lakes.

Many factors contributed to the crumbling of resistance to the Seaway, with two of them standing out sharply:

- The discovery of iron ore in Quebec and Labrador.

- The building by New York and Ontario of a \$650-million power project. This provided facilities that would otherwise have had to be built by Seaway agencies, at a cost of higher tolls.

Guesses on how heavy the Seaway traffic will be are still on the variable side. The old 14-ft. St. Lawrence canals carried 13-million tons in smallish ships last year. With the Seaway now able to accommodate general cargo carriers with five times greater capacity and with bulk cargo carriers that can carry ten times as much, the sky was the limit on some early estimates. Originally, the St.



Seaway Opens?

Lawrence Seaway Development Corp.—the U.S. agency for Seaway affairs—predicted that 1959 traffic would be 36.5-million tons. More recently, the agency has toned this down to 25-million tons, but many critics still say it is too high. The same critics are even more skeptical of the agency's 1968 projection of 50-million tons for the Seaway and 60-million tons for the older, Canadian-owned Welland Canal linking Lakes Erie and Ontario. They claim that Welland would have to double its facilities to handle that much.

• **Bulk Cargo**—Whatever the Seaway total, it will probably show 85-90% of bulk cargo, according to SLSD figures. U.S. and Canadian grain will provide the biggest share. Hitherto, grain has been shipped down lake to ports at the Eastern end for transfer to ocean-going ships or to railroads linked to Atlantic ports. Now, big bulk carriers from Duluth-Superior will be able

to go the whole way—though they may be discouraged by the possibility of traveling empty one way.

Iron ore will run a good second to grain, making up perhaps a third of the total. Since the Quebec-Labrador development, carriers have been bringing ore up the St. Lawrence to the steel mills. The rest of the bulk cargo will be a miscellany of coal, coke, petroleum products, nonferrous ores, and pulp.

If you accept the 25-million-ton estimate, that leaves 3-million tons for general cargo. For it, all the ports will be scrambling; it's more valuable than bulk, provides more jobs.

I. Winners, Big and Little

The U.S. lake ports that will be fighting for the new cargo are no strangers to handling big tonnages. For years they have shipped huge loads to one another—iron ore downbound, coal and

limestone both up and down—engaged in general trade with Canadian ports.

It's the overseas trade that will be new—millions of tons of it, compared with today's annual total of around 800,000 tons for U.S. and Canadian ports combined.

The lake ports won't share equally in the new bonanza. Ship operators won't find it worthwhile to stop at every port, what with the \$1,500-a-day cost of operating an 8,000-ton vessel. Some ports just haven't gotten ready to handle the new trade; some shippers will be slow to shake off old routing patterns.

• **Big Five**—It's generally agreed, though, that five U.S. cities—Chicago, Milwaukee, Detroit, Toledo, and Cleveland—will pick up more foreign trade than their rivals. These five, with Green Bay, already account for 80% of the overseas trade to lake ports. The ship lines have already scheduled them as ports of call. Here's a rundown on the prospects of the five and what they have done to get ready:

Chicago seems certain to get the bulk of Seaway traffic, thanks to its industry and the vast hinterland it serves with ample rail and truck connections. The port should be heavy on general cargo, both imports and exports, with plenty of bulk cargo in grain and oils.

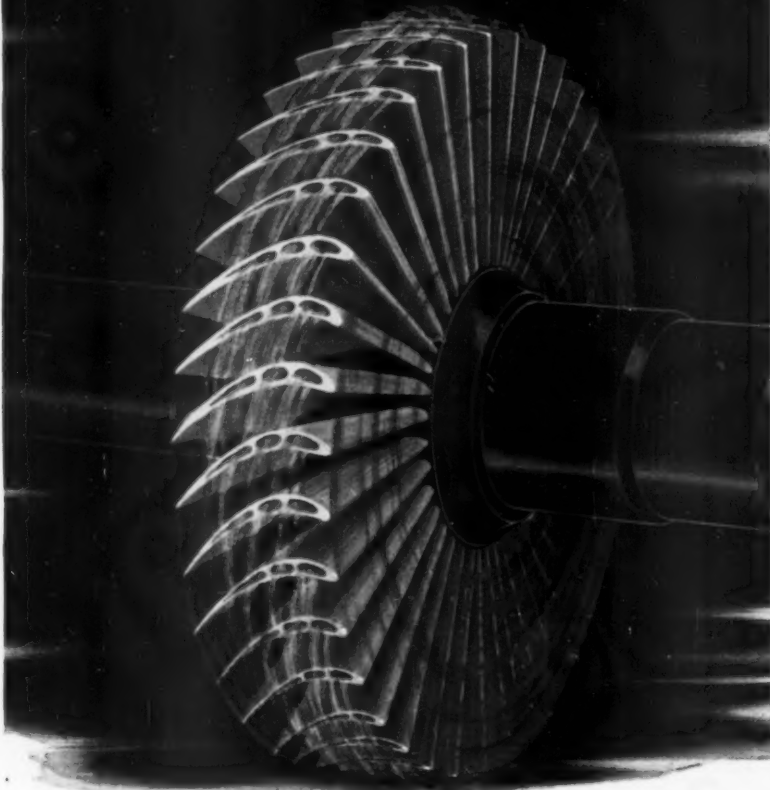
To welcome the business, the Regional Port District has invested \$26-million from revenue bonds at Lake Calumet Harbor, southeast of the city. Two 6.5-million-bu. grain elevators were built, along with four transit sheds and docks. The city itself is investing \$4-million in refurbishing the old Navy Pier north of the Loop.

Milwaukee, mainly a general cargo port with many of the locational advantages of Chicago, has been getting ready for the Seaway for years. Just since 1955, it has spent \$11-million on a general cargo pier, a passenger terminal and pier, 20 acres of land fill for later development, and a new highway approach. It plans to buy five more cargo cranes in five years.

Detroit has been stymied in setting up public facilities by voter rejection of bond issues, but private handlers say they have excess capacity for general cargo. Chrysler expects a 3-4% saving in the Seaway; so it plans to use it more for exporting cars and trucks, along with machines and machine tools for its assembly plants abroad.

Toledo, mainly a coal port in the past, is counting on some general cargo to supplement the predominant bulk. The Toledo-Lucas County Port Authority plans a 5-million-bu. elevator for Buffalo's Continental Grain Co., while The Andersons of Toledo this week announced a 10-million-bu. elevator. Cargill, Inc., of Minneapolis has bought land for a second elevator. In-

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dustrial Molasses Corp. has broken ground for a \$500,000 storage tank project. For general cargo, the port authority plans a new terminal, has already awarded a contract for a transit shed. Toledo Marine Terminals, Inc., is expanding the only existing general cargo terminal.

Toledo hopes—and other ports fear—that it will get a big share of military and aid shipments, thanks to its selection by the Army as headquarters for the Great Lakes Terminal Detachment.

Cleveland will have a city-built passenger and cargo terminal and enlarged private facilities, but some people feel it will not be enough.

As for other ports on the U.S. side of the lakes, their prospects are diverse. Buffalo is considered too near the Atlantic—by both train and barge—to profit much. But the city has dropped its early anti-Seaway stand, and its Niagara Frontier Port Authority is using a state loan to take over waterfront buildings and dredge the harbor. Duluth-Superior, at the far end, is considered too remote for what would have to be predominantly one-way traffic, since the area has little to import. Still, Duluth has built a \$10-million terminal, and private investors have picked up 135 acres for possible development.

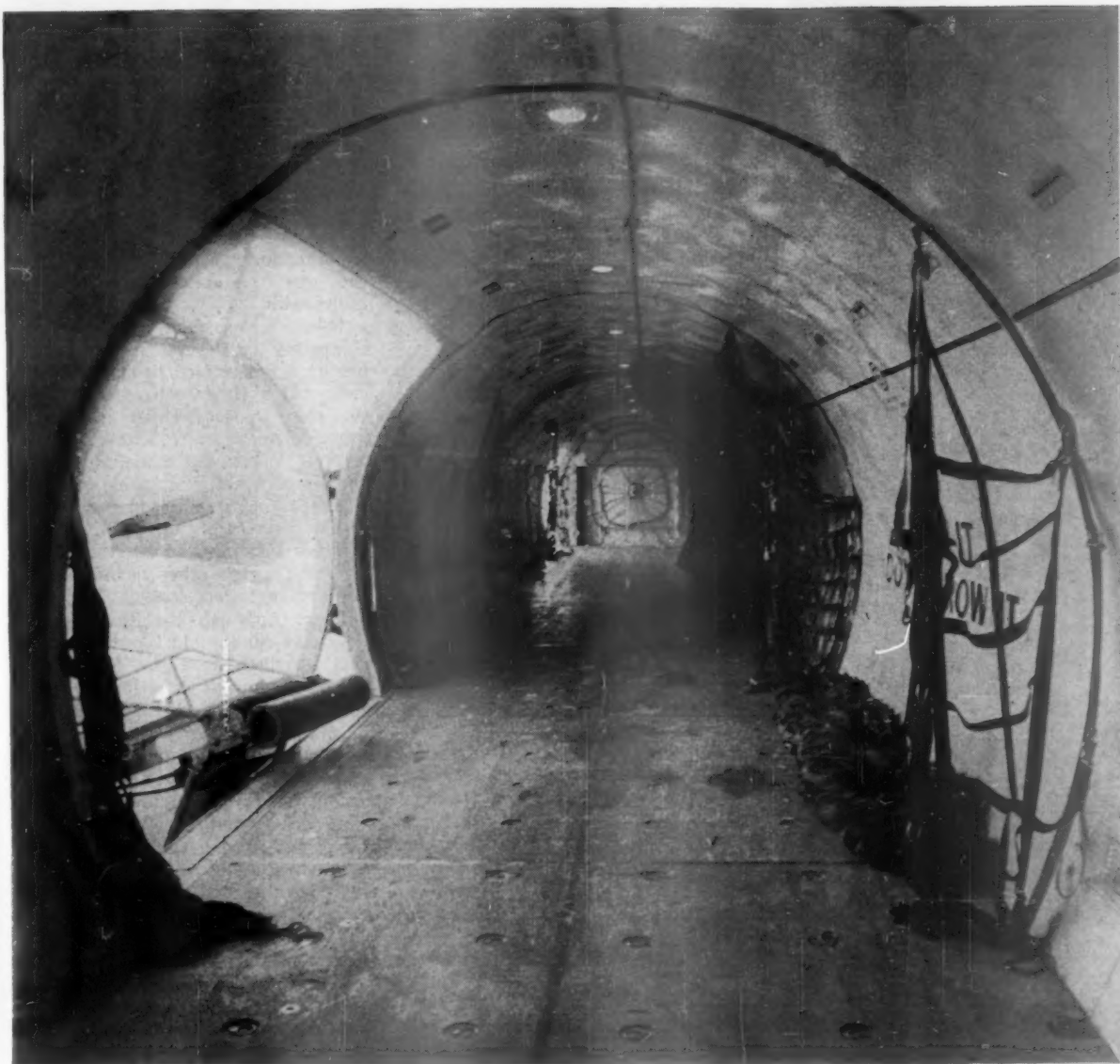
On the Canadian side, Toronto should profit substantially from the Seaway, especially since inbound goods will no longer have to be transshipped at Montreal. But the city has less to export and has scant prospects as a bulk port, though it will be getting sugar for a new Canada & Dominion refinery.

Montreal, the last port on the ocean side of the Seaway and the end of 35-ft. navigation, stands to both gain and lose. It expects larger loads of bulk to make up some of the expected lost transshipment business. And the biggest ships will still have to stop at Montreal to lighten cargo on the way in and to stop off on the way out to deeper water. The National Harbors Board has recognized the importance of Montreal's stake by spending \$66-million, half of it for grain facilities. But the city itself had dragged its feet, doing nothing to improve street access to the port.

II. Somebody Has to Lose

Whatever gains are made by the Seaway ports will have to be at the expense of other coastal ports, with the cities on the Atlantic probably hit harder than those on the Gulf of Mexico.

The North Atlantic ports are used to losing business. For years their business has been drained off to South Atlantic and Gulf ports simply by the shift of the nation's economy. But loss to the Seaway will hurt more because it's closer to home. Philadelphia, Baltimore, and Hampton Roads are certain



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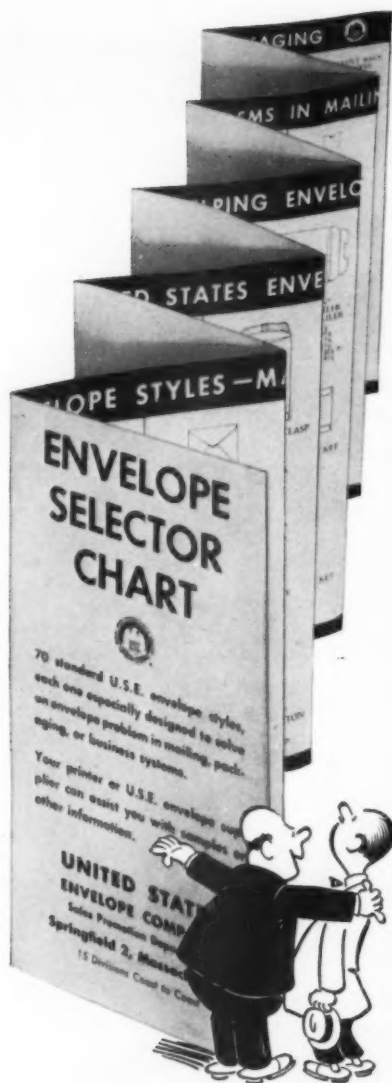
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50 lb.	\$23.54	\$39.70	\$19.38	\$28.50	\$13.27	\$12.50
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to lose in bulk, while New York will be the big loser in general cargo.

In New York, the Port Authority concedes that ultimately it will lose upwards of 1-million tons—partly such exports as autos and farm implements, partly such imports as autos, bauxite, rubber, sugar, coffee, steel, glass, and liquors. Philadelphia is little worried about losing general cargo, for 73% of its volume originates at or is destined for points within 50 miles of the port.

Baltimore feels quite chipper, expecting to hold its huge volume of iron ore imports, mostly from Venezuela, and even talks of "cornering" the market for imported cars.

These ports have substantial improvement programs under way, but they are aimed at one another, rather than at the Seaway menace.

III. The Final Arbiter

In the final analysis, it's the shipper who will decide what the Seaway will do to U.S. ports. What route will the Belgian glass maker pick to send his products to Illinois? What route will the Minnesota wheat exporter choose to get his grain to Germany?

• **Comparative Cost**—For the shipper, of course, cost will be the deciding factor. He must make complex comparisons of steamship rates from lake, Atlantic, or Gulf ports, matching them up with overland rates and with combinations of all methods. He also must figure on Seaway tolls, which will be levied to carry the \$28-million annual burden of operation and debt service.

With few exceptions, all-water rates from the lakes will be higher than from the Atlantic even when actual distances to foreign ports may be shorter.

There are "open" rates on some high-volume items such as grain, but most commodities are covered by conferences of shipping lines, which are supposed to charge uniform rates. This picture is expected to hold true, regardless of how many lines stay in the Seaway business. Some 20 foreign lines are expected this summer. Last year, with few lines and bitter competition, there was some talk of chiseling on the conference rates, but the industry expects this to disappear—if it ever existed—when the shippers' "varsity" takes the field this summer.

• **Rail Rates**—A more important factor in the cost picture is the overland haul. Rail rates still have not jelled. Arthur E. Baylis, a New York Central vice-president, has cited four ways that the rails can approach rate cutting:

• Low rates during the Seaway's navigation season—on bulk commodities—but higher rates in winter.

• Year-round rates made in contract with shippers who will agree to give railroads their business.

• Spot adjustments covering a particular commodity such as autos, from a particular spot such as Detroit.

• Short-haul adjustments to lake ports. Once the railroads have lost the long haul to the Atlantic, they want to keep the short haul to lake ports away from trucks.

So far the roads have talked specifically of only one cut—20% on grain during the navigation season. They are considering others on petroleum, coal, iron ore, and general cargo. By July 1, they may have made cuts in unison or individually.

Baylis figures there is no sense in competing with every "spot nuisance," but he is determined to make effective cuts. At a time such as now, when the ship charter market is soft, he would force the ships to leave the lakes empty. When the market is tighter, and ships are less inclined to meet railroad competition, he supposes they'll be less eager to ply the lakes.

• **Other Factors**—The undecided shipper must weigh other factors as well as the all-important costs:

Time. Although the Seaway's new locks may cut the old lake turn-around time by three days, the Seaway trip will be six days or more longer than a combination overland-ocean haul.

Sailings. A shipper wishing to scatter his goods among a wide assortment of ports may find that the Seaway sailings are not inclusive enough.

Service. Factors of waterfront skills and of racketeering and pilferage must be weighed, along with such factors as credit facilities and marine insurance.

Facilities. Does the lake port have the equipment to handle a particular type of cargo?

Winter. Unless some Utopian defrosting system is developed the shipper will always have to abandon the lake ports during the winter, which means a radical shifting of business patterns. (Cargill is trying to beat the freeze by building a huge elevator below Montreal).

• **Foreign Flag**—The shipper who does decide on the Seaway is likely to find himself using foreign bottoms, simply because a smaller percentage of U.S. ships can use the 27-ft. navigation. So far, seven U.S. lines have asked the Maritime Board for the subsidy contracts that would let them engage in the trade. The only one yet to receive an O. K. is the Grace Line, for sailings to Caribbean ports.

Although its application is still pending, American Export Lines has a ship coming up the St. Lawrence from the Mediterranean. Actually, without a subsidy, this ship can come and go as it pleases. Once the Maritime Board grants a subsidy, the line must carry out scheduled sailings, whether or not it has any cargo. **END**

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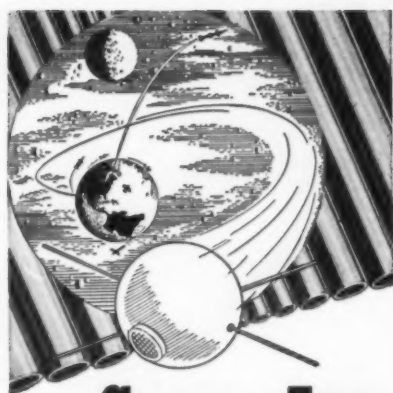
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Puerto Rican Pros and Cons

FOR MORE than ten years, the government of Puerto Rico has been successfully attracting new industries with a variety of lures: exemption from federal and local taxes, loans, training of labor, low-rent factories.

Puerto Rico's net catch is now 565 new plants, after deducting 185 that had to close for one reason or another.

The impact has been clear on the commonwealth's economy. Income from manufacturing has soared while income from sugar-dominated agriculture has stood still. Industry—50% of it in "promoted" plants—now provides half as many jobs as farms; along with migration to the mainland it has held unemployment to 13% since the 1954 recession.

For most Puerto Ricans, industrialization has meant a higher standard of living. Per capita income has increased 72% since 1948, compared with a 42% gain on the mainland—though at \$469 the island income is still only one-fourth as high.

WHAT has this growth meant to U. S. business, which put up three fourths of the plants? Did it find Puerto Rico all milk and honey? To clear the air of publicity claims and visions of a cheap-labor paradise, an American Management Assn. meeting in New York last week asked several companies to tell their experiences.

On the whole, the executives at the meeting gave Puerto Rico high marks. They complimented the people, praised the competence of the government's assistance, drooled over the high profits (20% or more on sales), the adaptability and productivity of labor. One even touted Puerto Rico for board meetings.

But the executives added that some companies had fallen on their faces, mostly through their own miscalculations.

Insufficient planning and study drew the heaviest blame among management inadequacies. Puerto Rico's 2.3-million people are a sizable market in their own right, but a company that plans to concentrate its selling on them must

be sure the market will be large enough to keep the business going. At least one company overestimated its market, built too big a plant. And then had to abandon it.

Other companies, planning to export from Puerto Rico into Latin America, failed to check on shipping schedules. Too late they found that the island's only good connections in the area were with the Dominican Republic and Venezuela.

A must for efficiency is maintaining good communications. Language barriers, phone and plane service all make it harder for mainland headquarters to keep in touch with Puerto Rican branches.

Failure to foresee rising costs was not entirely a management blunder, but many companies failed to realize that the cheap labor in the island was only a temporary advantage. Today, plant managers are bothered more by the rate of climb in wages than they are by the actual amount they have to pay. Bostitch, Inc., notes that in five years wages have more than doubled—from 45¢ an hour to \$1.

Companies that import raw materials from the mainland or ship finished products to it are irritated by the rise in ocean freight rates.

AMISCELLANY of worries and suggestions was given at the meeting:

- Puerto Rican women are good, serious workers. Some, contented enough with \$30 a week, can be lured to greater productivity by donations to their churches, or gifts of stockings and perfume. As a rule, men don't like to get their hands dirty in factories, prefer desk jobs.

- Companies selling most of their output in the island find their stiffest competition from goods imported from the U. S.

- Islanders serving as managers frequently need retraining. Some fell into sloppy habits in the early days of cheap labor, find it hard to adjust to stiffer home office requirements now.

- Plant sites are becoming harder to find and more expensive.



Photographed by Fritz Henle in front of the Nuevo Circo (Bullfight Arena) Caracas, Venezuela

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

APR. 11, 1959



Chancellor Adenauer's decision to run for president of West Germany may change the political line-up within the Western alliance. That's all the more likely in view of Secy. of State Dulles' illness on the eve of East-West negotiations over Berlin.

Adenauer and Dulles have worked more closely together than any other two Western statesmen in recent years. Both have followed a tough line in not retreating in the face of Soviet threats.

At the same time, Adenauer has forged a close partnership with Pres. de Gaulle. He has been cool toward Prime Minister Macmillan's more flexible approach in trying to cope with the Berlin crisis.

Now, with both Adenauer and Dulles likely to play lesser roles in negotiations, the political alignments in the Western camp may shift somewhat.

Even as president—a primarily ceremonial job—Adenauer will remain influential. He has run the whole show in West Germany for a decade. But he will carry less and less weight as time goes on.

A lot depends on who will replace Adenauer as chancellor. No. 1 candidate is Ludwig Erhard, the Vice-Chancellor and Economics Minister. Second-ranking candidate is Franz Etzel, Finance Minister.

Erhard probably would stick to Adenauer's tough policy on Berlin. But he might tend to be more flexible on details. Beyond that—as Britishers see it—the six-nation Common Market would become less protectionist with Erhard the top man in Bonn.

Dulles' decision on whether to resign could come any day now. He's certain to make it within the next two weeks—before the Western foreign ministers' meeting scheduled for Apr. 29. (That session is preparatory to the foreign ministers' conference with the Soviets on May 11.)

The odds—say Washington officials—are against Dulles' being strong enough to direct personally U.S. policy in crucial Berlin talks. Of course, Dulles may feel up to it. But his recovery has been slower and more uncertain than had been hoped.

Dulles' prestige and authority count a lot in holding the Allies together on Berlin. You could see that in last week's NATO conference. With Dulles absent, the Western powers were far apart in setting tactics for Berlin.

Still—in the long run—the U. S. will continue to call the tune on the West's policy in Berlin. Washington seems ready to agree to a new legal basis for keeping Allied troops there, plus an access agreement with the East Germans. But we would insist that the Soviets take responsibility for seeing that the East Germans respect such an agreement.

Britain's new budget is boldly expansionist. It calls for tax cuts, special "writeoffs" on new plant and equipment, and faster repayment of some of the taxes collected during the war with the promise that they eventually would be refunded. Altogether, it will inject over \$1-billion of new purchasing power into the British economy.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

APR. 11, 1959

The budget is sure to put a quick end to Britain's mild recession. It also will give an indirect boost to West European and world trade. Even more important, it will aid Conservatives in the upcoming elections.

The Macmillan government claims the tax cuts won't stir up inflation. Some critics doubt this. But they admit that there's enough idle plant capacity to supply a bigger flow of goods to higher-spending consumers.

—●—

Ghana's long-delayed Volta River project finally is getting off the ground. Kaiser Industries, Inc., reportedly is ready to step in and do the whole job, from financing to construction.

Kaiser's proposal—as submitted to the Ghanaian government—would require huge U. S. investments totaling \$350-million. The project would include development of electric power and bauxite deposits, along with construction of aluminum, chemical, and cement plants.

—●—

This week, the U. S. and 20 Latin American countries officially formed the new, \$1-billion Inter-American Development Bank.

The bank should help answer longstanding complaints that Latin America doesn't get enough money for economic development. The U. S. is putting up the biggest share—\$450-million.

Latin countries will participate in a big way, too, with Argentina and Brazil each contributing \$113-million, Mexico \$72-million, and Venezuela \$60-million.

Still, the bank won't begin operating for at least a year—so Washington officials predict. And members are wrangling over how it should be run.

Some fear that unless its president has powers comparable to, say, the head of the World Bank, projects too often will get bogged down in committee debates.

—●—

Soviet Union may be overplaying its hand in Latin America. Last year, it geared up for an economic offensive in the region—and partially succeeded. Then, it stepped up Communist activity in Latin trade unions.

Last week's labor riots in Argentina and Mexico, partly Communist-inspired, boomeranged. Both countries quickly expelled several Soviet diplomats on charges of directly fomenting the strikes.

—●—

London finally is showing concern over developments in Iraq.

Step by step, the Communist-dominated government of Gen. Kassem has been pushing the British out of established positions in the country. Now the government is turning on Iraq Petroleum Co.—a joint West European and U. S. company that is largely under British management.

The British aren't expecting outright nationalization just yet. That would lead to an interruption in Iraqi oil shipments just when there's surplus oil in the world market. The British fear that Kassem will pressure them for (1) a higher royalty rate, (2) faster expansion of output, and (3) a surrender of large concession areas.



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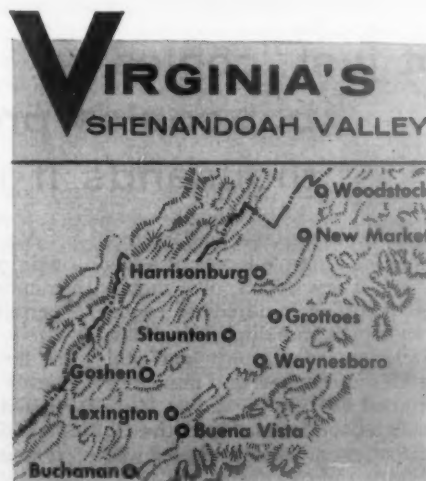
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Atomic Power Can Compete Now

In Some Areas, Study Indicates

Design studies made for the Atomic Energy Commission indicate that electric power produced from certain nuclear reactors can be competitive with conventional power sources in some high fuel cost areas of the U.S. now.

According to the cost estimates, power from three types of reactors could be generated for 8 or 9 mills per kwh. if government or industry is willing to build big plants in the 300,000-kw. range. This compares with average costs ranging up to 8.5 or 9 mills for large coal or oil-fired steam plants built since World War II in New England and the South Atlantic states.

The studies were made for AEC by six top engineering and manufacturing companies. The object was to find the most economic size and design of boiling water, pressurized water, and organic-cooled reactors.

AEC Chmn. John A. McCone has made clear his own feeling that the federal government should steer clear of building or underwriting commercial-size reactors on the grounds that this is the job of private enterprise.

However, key figures on the Democratic-controlled Joint Atomic Energy Committee express doubt that private utilities are ready to risk building giant nuclear power plants on the basis of the design studies. Thus, they feel this would be a good area in which to try out Sen. Clinton Anderson's idea of a construction subsidy for commercial-sized, privately owned atomic plants.

There's speculation that some parts of the utility industry, which in the past has sought only research and development help, may be ready to accept capital grants despite the Eisenhower Administration's feeling that such help should be limited to small or medium-size reactors.

• • •

Supreme Court Backs Retailer

In Appliance Boycott Case

The U.S. Supreme Court this week unanimously gave a San Francisco retailer a chance to win triple damages under the Sherman Antitrust Act from a competing retailer, 10 manufacturers of household appliances and their distributors for allegedly boycotting him and refusing to sell him merchandise.

Lower courts had dismissed the retailer's suit, brought by Klor's, Inc., on the ground that it had failed to show any injury to the buying public as a result of the alleged boycott. Klor's charged a department store chain, Broadway-Hale Stores, Inc., with using its buying power to get 10 manufacturers either not to sell to Klor's or to sell to it on highly unfavorable terms.

Without denying the charges, the defendants asked dismissal of the suit and pointed out that hundreds of other household appliance retailers—some within a few

blocks of Klor's—were selling many competing brands of appliances, including those they refused to sell Klor's.

Justice Hugo Black reversed the lower court and sent the case back for trial. He ruled the charges showed a restraint of trade and public harm forbidden by the Sherman Act. Black also ruled that the fact that there still are other retailers in business is no defense to a boycott designed to put one retailer out of business.

• • •

HEW Cracks Down on Sioux City Plants

Under 1956 Law on Water Pollution

Sioux City, Iowa, and 10 meat processing plants inside its city limits have been ordered by the federal government to stop polluting the Missouri River.

In the first action of the kind under the 1956 Pollution Control Act, Secy. Arthur S. Flemming of Health, Education & Welfare this week told the 11 offenders to install facilities to treat their sewage and have them operating by Jan. 1, 1963.

The 1956 act authorized federal grants to local governments for sewage treatment works and expanded the federal role in enforcement. Under the law, states downstream from a source of pollution can call on the U.S. Public Health Service to take action. In the Sioux City case, the complaint came from Omaha and Nebraska. If the offenders fail to comply with the timetable for correction at any stage, Flemming can refer the case to the Justice Dept. for court action.

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Consumer Testimony Belittled by FTC

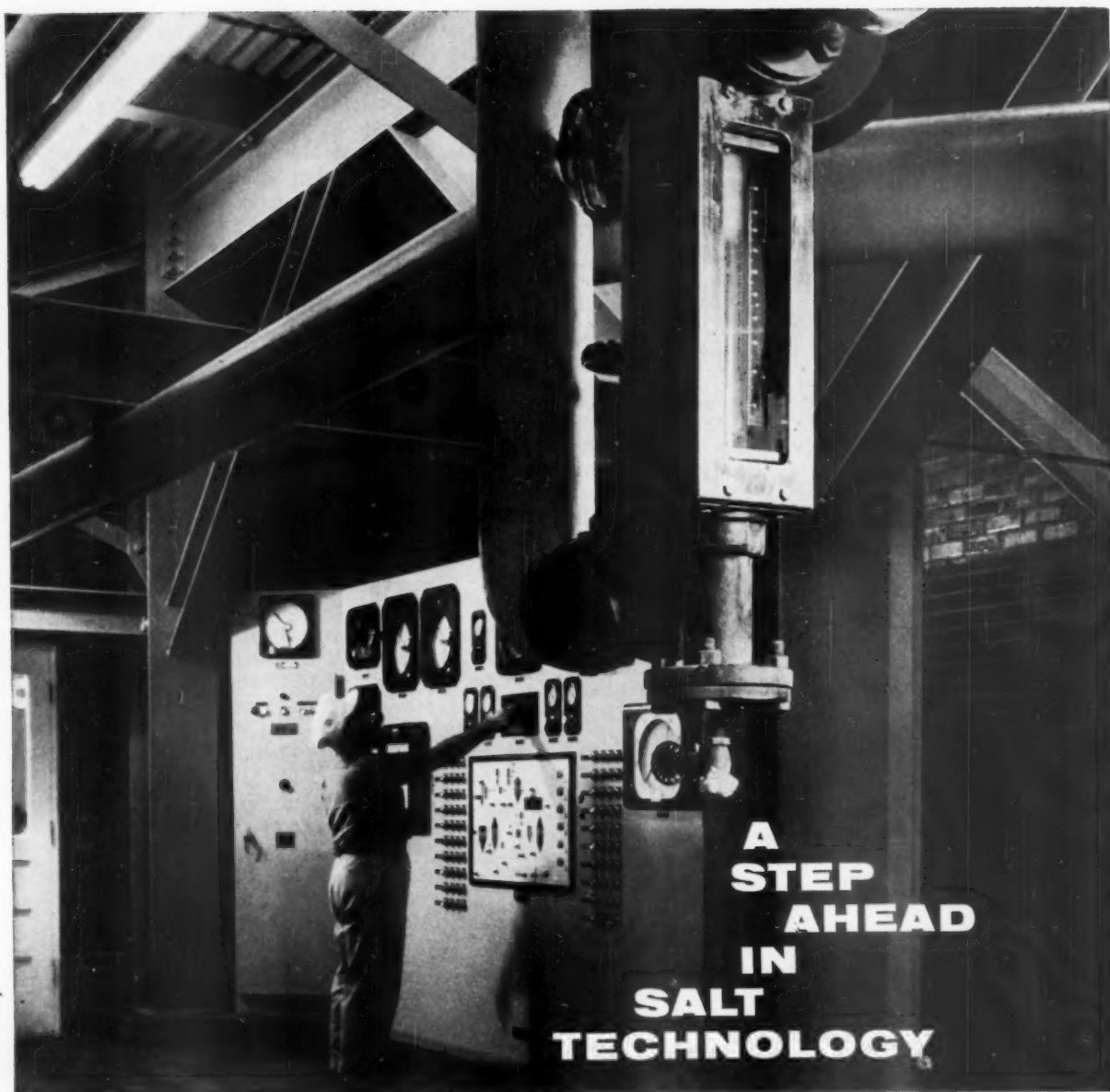
In Deciding False Advertising Case

The Federal Trade Commission has dismissed consumer testimony as of "little value" in finding against Evis Mfg. Co. in a false advertising case. It rested its decision instead on scientific testimony.

The commission ordered the San Francisco manufacturer to stop claiming its "Evis Water Conditioner" will make hard water soft, remove unpleasant odors, save soap, reduce the cost of heating water, and leach out alkali and salts in soil and thus reduce the amount of water required for irrigation.

The device is described as "an oversized pipe coupling with an interior cross-post integrally cast in place." Dr. James Hoffman of the National Bureau of Standards testified that, on the basis of his scientific knowledge and his experience with the conditioner, it could have no effect on water. The commission relied on this kind of expert opinion in reversing an earlier finding by an examiner who had dismissed the case as "unproved" because user testimony supported the manufacturer's claims.

The Evis case was similar to the controversial FTC proceeding against AD-X2, a battery additive, and its manufacturer, Jess Ritchie. FTC finally decided AD-X2 was not falsely advertised and dismissed the case. However, says the commission, the Evis case was different because some scientific evidence did support AD-X2, while it found none at all to back the Evis claims.



Control panel of automatic Recrystallizer plant. Photograph by Loebel.

International discovers new purification process...brings automation to salt refining

Last fall, after more than a decade of research, International Salt Company perfected the first new method of salt refining in over 150 years. This process has as its basis one of the most unusual facts in industrial chemistry: The major impurity in salt crystallizes out of solution as the temperature rises . . . while salt itself crystallizes out as the temperature drops.

In International's new process, a slurry of salt and brine is heated to 225°F. The salt goes into solution, and im-

purities (which remain undissolved) are separated out. Then the brine is flash-cooled to 140°F. Now pure salt crystallizes and is filtered out while any remaining impurities go into solution.

This process makes possible, for the first time, continuous, automatic refining of salt. With one man in control, International's new Recrystallizer at Avery Island, La., produces high-purity salt in one-third the time of conventional purification.

The scientific skill and research facilities that provided this "step ahead" are also at the service of any salt-using company. Contact International Salt Company, Inc., Scranton 2, Pa., or any of the offices listed below.

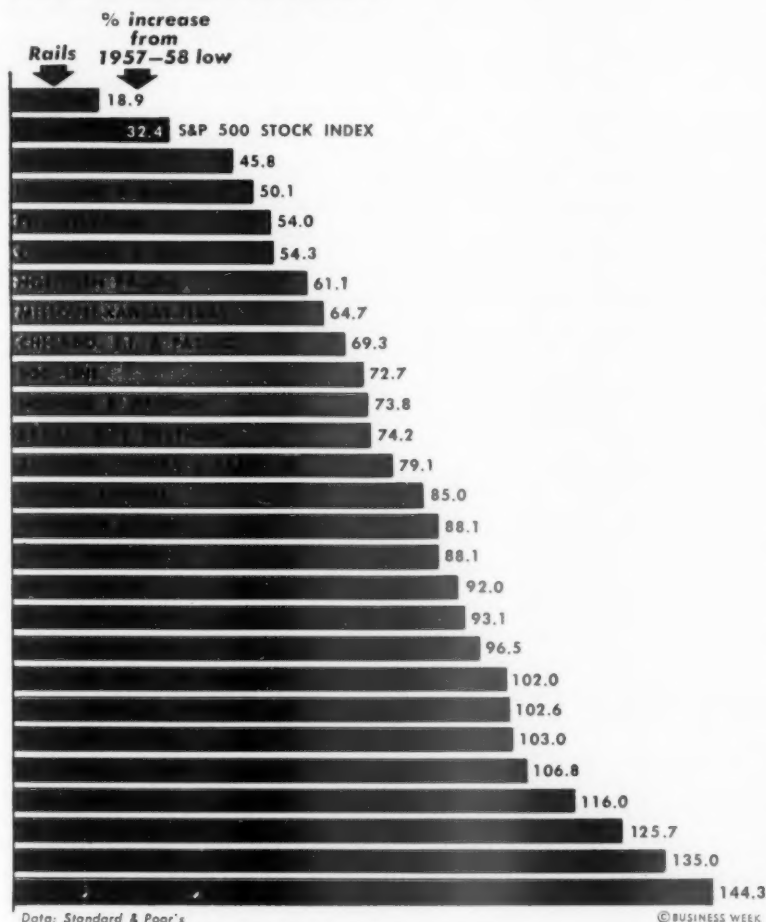
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THE MARKETS

Rails Roar Ahead



How Far Will They Go?

Fresh spurt by rail stocks depends on a new burst of energy in business recovery, analysts say—but some can make gains even with moderate recovery.

The iron horse isn't everything it used to be, but it's chugging along with a lot more steam than most people would expect from listening to the woes of the Eastern carriers.

You can see as much by a glance at the chart above which shows that rail stocks—in anticipation of higher earnings—have outperformed the market as a whole since the bull market resumed last year.

The rail stocks had taken a deep plunge from their mid-1956 highs, as passenger deficits, competition from truckers and barges, and rising operating costs cut into profits. But in 1958, with the business recovery in sight, they

started to climb dramatically. The Standard & Poor's rails index jumped 58.7% last year, compared with a 35.8% rise for its industrial index.

• **Reading the Signs**—As the technical analysts see things, this rise in the rail stocks "confirmed" the industrial rise. Since February, however, rail stocks have cooled off. So investors in search of market signals are now taking a fresh look to see whether rail commons can resume their spurt, or whether their recent more lethargic performance means the market as a whole will suffer.

The consensus: Most rails—and industrial stocks—can move up substantially only if the business recovery generates a new burst of energy. Analysts justify this reasoning with a number of telling points:

• Many rail stocks have discounted 1959 earnings, and in addition the bad weather in the first quarter has led to some downward reappraisals.

• Speculative interest in rails has

died down as traders have turned to playing stocks in the missiles, electronics, and real estate industries.

• **Institutional interest** in rails is slight, so there's no assurance of a steady flow of cash pouring into rail stocks.

Even these analysts admit, however, that many rails emerged from the recession in pretty good shape and that individual stocks could record big gains if the recovery continues only at a moderate clip.

• **Leverage**—They hold this view partly because of the leverage in the railroad business. A large part of rail traffic is cyclical, while maintenance costs remain about the same, year in, year out. Thus, any increase in business has a big impact on earnings; by the same token, earnings drop sharply when a recession hits.

In addition, the rails' capital structure also is heavily leveraged; it's heavy with debt, which means that the roads have large fixed interest costs. When profits fall, there's little available for common stockholders. But when earnings increase, the share accruing to the common stocks goes up fast. As many rails have large investments in other rails, this leverage is intensified.

• **Earnings Look Up**—Explaining their cautious optimism, analysts cite the strong earnings recovery of the rails over the past eight months and the fact that the rails are more vigorously attacking their complex problems.

Following a normal pattern, rail earnings fell severely early in the recession. They were pushed down further in 1958 by industrywide wage increases and, for some Eastern roads, by winter storms. They recovered sharply as business improved, helped along to a great degree by record grain shipments.

Yearly figures don't tell the whole story, however. Class I roads earned only about \$600-million in 1958, a painful 18% below 1957 figures, and the lowest since 1949. But the pinch was all in the first half. Second-half earnings swelled to \$475-million, only slightly below the second half of 1956 (when carloadings were 15% higher) and well above the \$392-million for the last half of 1957.

This push is continuing in 1959. Carloadings are racing ahead, and analysts are now forecasting 1959 earnings of \$750-million for Class I roads—a gain of some 25% over 1958. Over-all, analysts say, Eastern carriers will show the greatest lag; Southern roads should tally modest improvement while Western roads as a group will do well.

• **Woes**—The analysts, in these forecasts of improved earnings, have not taken into account the attempts by many rails to pull themselves out of their plight. Their well-known woes were accentuated last year by the business recession. Passenger operating



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deficits now have reached the total of \$725-million. The rails' share of intercity freight is down close to 45%; in 1950, it was 56.2%. Efficiency gains have been many, but higher operating costs still eat into profits.

General rate rises, meanwhile, don't seem to have aided many rails. There have been five major freight-rate increases since 1954, totaling some 17%—but the average rate per ton-mile has increased only 3.1%, mainly because the rails have had to woo shippers with "special rates" to keep business. So the rails are turning to new measures.

• **Ways Out**—Mergers are one logical path to economies, and the rails are studying consolidation with gusto, despite the collapse of the New York Central-Pennsylvania flirtation. Atlantic Coast Line and Seaboard Air Line are probing what has been called the most natural merger in the industry—as far as elimination of duplicate facilities is concerned. The unified New England rail net is in the on-again, off-again stage. Norfolk & Western and the Virginian Ry. also would like to unite.

But only a few of the proposed mergers will ever materialize. Unions, competitors, and the Interstate Commerce

Commission have proved a tough triumvirate in the past, and the rails will have to appease all three to get going.

Aid from local and government sources is sure to play a bigger role in overcoming the rails' worst woes. For example, the Transportation Act of 1958 has enabled a number of roads to lop off loss-producing interstate passenger business; red-ink ferry lines also have been abandoned. And the ICC finally has shown signs of approving applications for government-guaranteed loans to deficit-ridden rails.

The industry also has taken a new tack on rate-making. For example, the Soo Line among others has filed for an O.K. on "agreed" charges—discounts to shippers who guarantee a certain volume of freight business yearly. It's uncertain whether the ICC will approve these requests, but chances are bolstered by the fact that many rails seek them.

Individual companies, meanwhile, are going their own way to pump new life into their business. Bangor & Aroostook has entered the truck and car leasing business. Great Northern has laid plans for a freight car leasing setup. Delaware, Lackawanna & Western has an international piggyback service.

Fed's Plan Draws Strong Protests

Brokers and banks turn guns on proposal to dampen speculation by curbing substitutions in margin accounts.

The financial community—brokers, dealers, and banks—protested vigorously this week against the Federal Reserve Board's proposed action to tighten up on stock market credit (BW—Mar. 21 '59, p.138).

The Fed had asked for confidential comments from "interested" groups by Apr. 6 on changes it had proposed, which would compel margin account traders to apply 50% of stock sale proceeds against debt in their accounts—until the accounts meet the present 90% margin requirement. At present, a margin trader with a "restricted" account—one below the 90% margin—can substitute by selling one stock and buying another without putting up added cash.

By its proposal to curb the substitution privilege, the Fed hopes to reduce the \$3.4-billion credit in customers' net debit balances, constrict the flow of bank credit into the market, and thus dampen trading activity—in particular, buying of speculative stocks.

• **Effects**—In responding to the Fed, brokers revealed, they contended the move would hurt demand for stocks and hamper desirable equity financing by corporations. Asserting there isn't too much credit in the market, they said the proposed changes might lock

customers into their present holdings, reducing market liquidity and supply. The result, they claim, would make stock prices rise even more sharply.

The brokers also noted the Fed's plan would push investors into the over-the-counter market—where margin regulations don't apply—and into the booming low-priced stocks.

Dealers in the bond market claim that by preventing brokers from arranging loans on terms other than they can offer themselves, the Fed would drive investors to arrange their own financing, possibly from dubious sources.

And at least two Stock Exchange firms—Garvin, Bantel & Co. and D. H. Blair & Co., Inc.—will have to choose between their stock business and money market business.

In a joint statement, New York City banks said the Fed never had Congressional authority to regulate unsecured loans. The Fed's move, as far as non-purpose loans are concerned, would try to make banks into detectives, they added. The banks suggested that, instead, the Fed should require borrowers to sign papers stating the loans' real purposes, with penalties for any divergence. The Fed is now considering these criticisms, is expected to make its decision within a month. **END**

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NAME OF COMMON STOCKS	Shares We Sold	States	
		Buyers	Where Sold
ACF-WRIGLEY STORES, INC.	10,000	65	15
AIR REDUCTION CO., INC.	7,000	179	19
ALUMINIUM LIMITED	60,398	476	30
ALUMINIUM LIMITED	20,360	167	20
AMERADA PETROLEUM CORPORATION	12,378	189	14
AMERADA PETROLEUM CORPORATION	10,200	142	26
AMERICAN CAN COMPANY	33,000	793	32
AMERICAN ELECTRONICS, INC.	60,205	384	27
AMERICAN & FOREIGN POWER CO., INC.	25,000	94	12
AMERICAN HERITAGE LIFE INSURANCE CO.	170,999	1,141	32
AMERICAN NATIONAL INSURANCE CO. (Galveston)	71,294	613	35
ARCHER-DANIELS-MIDLAND CO.	30,700	319	29
ATCHISON, TOPEKA & SANTA FE RY. COMPANY	50,357	434	31
BENDIX AVIATION CORPORATION	9,910	127	25
BORG-WARNER CORPORATION	5,790	44	20
BURROUGHS CORPORATION	25,548	281	29
CENTRAL SOYA COMPANY, INC.	9,591	112	16
CHAMPION SPARK PLUG COMPANY	45,500	993	35
COLUMBIA GAS SYSTEM, INC.	206,357	2,222	35
CONTINENTAL INSURANCE COMPANY	10,407	159	22
CONTINENTAL OIL COMPANY	10,000	96	11
DOUGLAS AIRCRAFT CO., INC.	8,001	97	19
FEDERATED DEPARTMENT STORES, INC.	4,000	48	17
FLORIDA POWER CORPORATION (Old)	15,000	246	18
FLORIDA POWER & LIGHT COMPANY	59,907	791	19
FOOD FAIR STORES, INC.	15,000	229	23
GENERAL MOTORS CORPORATION	50,000	577	33
GENERAL PUBLIC UTILITIES CORPORATION	10,000	103	24
GENERAL TELEPHONE CORPORATION	17,688	690	33
*GOODRICH (B.F.) CO.	10,000	122	15
GULF OIL CORPORATION	10,131	185	25
GULF STATES UTILITIES CO.	88,254	1,079	37
IDAHO POWER COMPANY	43,125	463	20
ILLINOIS CENTRAL R.R. CO.	12,022	116	28
INGERSOLL-RAND COMPANY	21,546	286	26
*INTERNATIONAL BUSINESS MACHINES	5,000	159	32
JOHNS-MANVILLE CORPORATION	10,100	101	30
LYKES BROS. STEAMSHIP CO.	25,020	296	26
MELVILLE SHOE CORPORATION	54,906	472	31
MERCK & CO., INC.	13,734	190	24

NAME OF COMMON STOCKS	Shares We Sold	States	
		Buyers	Where Sold
MONSANTO CHEMICAL COMPANY	15,000	196	24
NORTHERN INDIANA PUBLIC SERVICE CO.	22,246	341	27
*OKLAHOMA NATURAL GAS CO.	25,286	277	25
OLIN MATHIESON CHEMICAL CORP.	40,167	479	34
PACIFIC LIGHTING CORPORATION	82,200	1,111	24
PEPSI-COLA GENERAL BOTTLERS, INC.	45,000	243	27
PFIZER (CHAS.) & CO., INC.	12,659	123	23
PHILLIPS PETROLEUM COMPANY	40,000	482	34
PILLSBURY MILLS, INC.	7,505	100	20
PORTLAND GENERAL ELECTRIC CO.	15,000	125	19
*PROCTER & GAMBLE COMPANY	10,428	74	23
PUBLIC SERVICE ELECTRIC & GAS COMPANY	180,951	2,253	33
SEARLE (G.D.) & CO.	15,599	317	29
*SHELL OIL COMPANY	7,100	36	15
*SHELL OIL COMPANY	7,700	22	7
SOCONY MOBIL OIL CO., INC.	32,608	340	27
STANDARD OIL CO. OF CALIFORNIA	13,800	177	28
STANDARD OIL CO. OF NEW JERSEY	10,000	109	30
STANDARD OIL CO. OF NEW JERSEY	78,000	1,104	35
*STANDARD OIL CO. OF NEW JERSEY	35,285	618	26
STANDARD OIL CO. OF NEW JERSEY	25,000	376	32
TENNESSEE GAS TRANSMISSION CO.	65,231	792	28
TEXAS COMPANY	13,000	185	28
*TEXAS COMPANY	11,800	100	13
TEXAS EASTERN TRANSMISSION CORP.	30,051	282	29
TEXAS EASTERN TRANSMISSION CORP.	12,001	130	21
TEXAS GAS TRANSMISSION CORP.	14,606	142	25
TEXAS GAS TRANSMISSION CORP.	8,679	101	20
TEXAS UTILITIES COMPANY	7,870	150	17
TRANSAMERICA CORPORATION	8,500	84	26
TRANSCONTINENTAL GAS PIPE LINE CORP.	17,003	198	30
UNION PACIFIC RAILROAD COMPANY	77,448	759	35
UNITED GAS CORPORATION	50,000	571	34
U. S. GYPSUM COMPANY	5,505	58	22
UNITED STATES PIPE & FOUNDRY CO.	12,080	81	9
UPJOHN COMPANY	100,095	2,376	34
VANADIUM CORPORATION OF AMERICA	10,000	85	12
WASHINGTON WATER POWER CO.	16,000	213	3
*WESTINGHOUSE ELECTRIC CORPORATION	45,056	524	33
*WEST VIRGINIA PULP & PAPER CO.	6,000	54	16

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In the Markets

. . .

Blue Chips Regain Market Leadership To Give a Better Tone to Stocks

The stock market this week showed a better tone, although the popular averages didn't reflect it. They moved indecisively, reacting to conflicting news on bullish car sales, concern over the German crisis, worries about Federal Reserve action on margins (page 116), and prospects of a steel strike. But the speculative fever for low-priced issues appeared to have abated, and market leadership reverted to the blue chips.

Analysts feel this is a healthy sign. There was some fear that investors would downgrade their holdings in order to take advantage of faster moving stocks, and thus weaken the market as a whole. But this hasn't proved to be the case.

Confidence in the stock market remains high, and analysts think that if business gets a fresh burst or vigor, prices—of the blue chips at least—will move higher. They feel there still is a good possibility of a decline of 10% or so, but they see no prolonged retreat in sight.

Any mystery about the quick 5-point spurt in Ford Motor Co. stock was shattered this Wednesday: After a lapse of three quarters, the No. 2 automaker will restore its 60¢ quarterly dividend. It had been paying out 40¢ since September. This week, Ford hit \$62, the closest it has come in two years to its original offering price in 1956 of \$64.50.

. . .

Bond Market Feels Impact of Talk Suggesting a Tightening of Credit

Amid Wall Street speculation that the Federal Reserve is planning to tighten credit by moving to a new target level of \$300-million net borrowed reserves, the bond markets began turning sour this week.

The 91-day Treasury bill yields are hovering just under 3%. Dealers expect them to go over 3% shortly and the six-month bills, now yielding about 3½%, to go up to the 3.75% area. The 4% government bonds of 1969 now yield around 4.06% and the 4s of 1980, about 4.96%.

. . .

Guterma Web Grows More Tangled; He Sues Swiss Trust, SEC Charges Other Frauds

A round of legal maneuvers this week threw some light on the complicated affairs of Alexander L. Guterma and two of the companies he once headed—F. L. Jacobs and Bon Ami.

Guterma, in his first significant countermove since he was indicted for fraud and Securities Act violations (BW—Mar.28'59,p135), filed a \$10-million damage suit against UFITEC, a Swiss trust that is one of the high-rate money

lenders the Securities & Exchange Commission will investigate in connection with market manipulation (page 23). Guterma borrowed \$135,000 from UFITEC last August and posted 30,000 shares of Jacobs stock as collateral.

UFITEC sold most of the stock when the New York Stock Exchange suspended trading in Jacobs last December. Guterma claims this sale—which brought on the SEC's original action (BW—Feb.21'59,p27)—was in violation of the loan agreement.

Meanwhile, Guterma was hit by two new moves:

- The SEC accused him of a \$750,000 fraud against Bon Ami in addition to other alleged frauds totaling about \$600,000.

- George A. Heaney, ex-president of the Security National Bank of Huntington, L. I., was allowed to plead guilty to a misdemeanor. He was indicted with Guterma, and his transactions with Guterma are alleged to be at the root of the case. Attorneys say the fact he was allowed to plead to a lesser charge—Guterma has been indicted for felonies—suggests that Heaney is ready to testify against Guterma.

In addition, the Scranton Corp. became the second former Guterma satellite to go into reorganization, not because of insolvency as was the case with Jacobs, but to try to untangle its financial affairs.

. . .

Now That Dust Has Settled, E. L. Bruce Is Flourishing

E. L. Bruce Co., the nation's largest hardwood floor maker, appears to be benefiting from the truce that broke the "technical" corner in the stock and settled the fight for control between the Bruce family and Edward M. Gilbert of Empire Millwork Corp. (BW—Nov.1'58,p89). Under the agreement, Gilbert, who owns over 50% of the stock, and the Bruces each put seven men on the board.

Their joint direction has turned in a profit of \$260,000 for the six months ended last December, compared to a deficit of \$272,000 for the same period a year before. In addition, Bruce increased its quarterly dividend from 25¢ to 30¢.

Bruce stock has not been readmitted to trading on the American Stock Exchange, which banned it in June, 1958, because there was not enough of a floating supply. But in the over-the-counter market this week, the stock was quoted at around \$43 a share, up from its pre-fight low of \$17 but well below the \$150 level hit during the corner. Little trading, however, is going on.

. . .

Earnings at Zenith Outstrip Expectations

Zenith Radio Corp., a star performer in the market, earned \$12.30 per share in 1958, far better than the \$10.50 predicted earlier (BW—Mar.21'59,p135). The stock this week sold at \$271 a share and had a price-earnings ratio of 22-to-1. The Chicago-based company, which makes radios, TV sets, and hearing aids, reported sales of \$195-million, compared to \$160-million in 1957.

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LABOR

The Bait Sharpens

Administration officials happily tell of bigger-than-expected drop in jobless totals, but union rally in capital isn't convinced.

Political spotlights in Washington this week played over the faces and the figures of the post-recession unemployed.

AFL-CIO leaders focused their glaring light on the faces of thousands of union members protesting "crisis unemployment" at a massive labor rally. Eisenhower Administration officials played up the latest count of the unemployed, which showed a substantial drop of 390,000 in March—190,000 better than the expected seasonal decline.

Pres. Eisenhower described the new figures as "gratifying"; AFL-CIO Pres. George Meany commented, "There is no appreciable improvement." Both had support for their views.

• **Percentage Down**—The latest figures show an improvement in the employment picture from the previous months. The March totals indicated an unemployment level of 4,362,000 or 5.8% of the work force—the lowest percentage since January, 1958, before the recession got under way in earnest.

Administration spokesmen believe that the economic recovery is now moving at a rate that will cut the unemployment count still more. Even if no change shows in the trend, the jobless total should drop seasonally to just over 3-million in October, according to government economists. Labor Secy. James P. Mitchell describes this as "practically full employment."

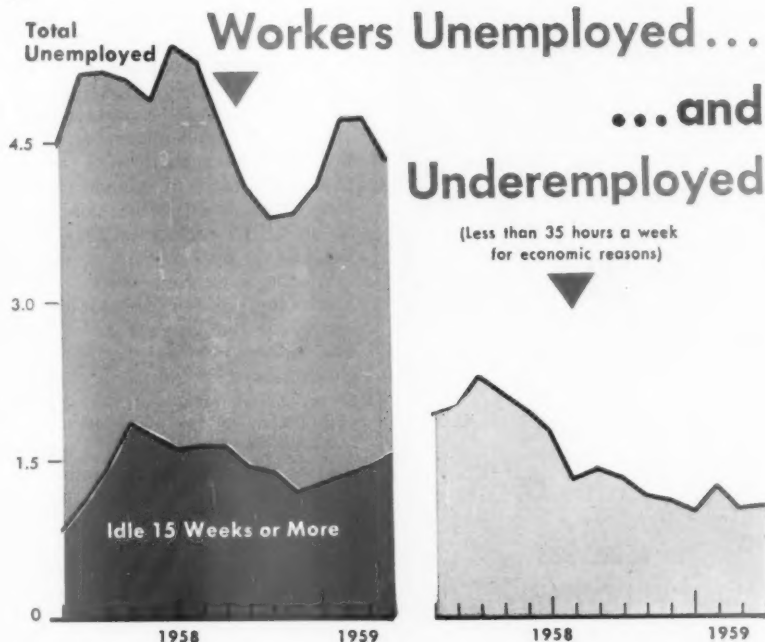
The statistics won't slow down union demands for unemployment relief such as liberalized federal-state jobless benefits, aid to depressed areas, public works projects, and so on. But they certainly will help to remove a feeling of urgency about unemployment problems.

• **Still in the Woods**—The government economists are a bit concerned about this; the danger of over-optimism about the current job outlook.

"We're not out of the woods by a long shot," a Labor Dept. specialist warned.

For one thing, he said hard-core unemployment—those of the unemployed who have been out of work for a long time—grew more serious in March. The number unemployed for 15 weeks or longer rose by 80,000 during the month—to 1.5-million. At the same time, the number of those

Millions of Workers
6.0 —



Data: Dept. of Labor.

working a short work-week—fewer than 35 hours—went up 15,000, to 1,049,000 (chart).

The paradox of a decline in unemployment totals while long-term unemployment rises can be explained in a variety of ways—seasonal factors, inventory building, employer post-recession hiring cycles, and the like. There are enough explanations to go around to fit both the Administration's optimistic view of 1959 and organized labor's dire warnings for the future.

I. Labor Rally

Six weeks ago, United Auto Workers Pres. Walter Reuther proposed a "march on Washington" to demand help for the unemployed. The plan was too dramatic for George Meany and other AFL-CIO conservatives. They toned it down to a one-day labor rally in the capital on Wednesday.

The 5,300 delegates from 15 Eastern industrial cities didn't stay toned down long. Their demand for action kept the rally fervor going strong. Much impetus came from auto and steel unionists—hard hit by job declines.

Reuther's UAW sent 1,300 unemployed from Detroit by buses. There were about as many United Steelworkers delegates. Most of the other big AFL-

CIO unions had members attending—particularly those that are suffering the biggest employment pinch and that do not anticipate much help from the rising economy.

• **Labor Dissatisfied**—Meany kicked off the rally Wednesday morning with a warning that labor isn't satisfied with the latest government figures on unemployment. He said there is a threat of "annihilation" of millions of jobs because of increased productivity.

"If any government officer can find gratification in this picture, there is something wrong with his outlook," he said.

Meany then introduced Labor Secy. Mitchell, with whom he has been feuding over unemployment and legislative issues (page 126). He eased Mitchell's way with the delegates by saying of Mitchell, "I don't always agree with him, but he's a good friend of mine and I want everyone to know that."

Mitchell was applauded when he began speaking, and there were cheers when he said: "I know what you want is not unemployment compensation, not relief—you want jobs."

Mitchell said that neither the Administration or Congress has done all that it should do, and that for this reason the AFL-CIO rally is a "good thing." He advised the union delegates

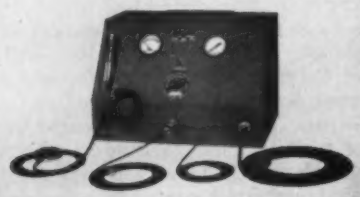


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to keep after Congress for legislation to ease unemployment.

UAW's Reuther had less friendly words for Mitchell, who he said has a "sense of social responsibility" but does not make the Administration's labor policies.

"These are made by George Humphrey on the quail hunts in Georgia," Reuther said.

• **Automation Problem**—Union officials see behind today's unemployment figures the shadow of automation, and the federal figures released Tuesday did little to relieve their fears. One-third of those jobless in March were long-term unemployed, with a concentration of unskilled and semi-skilled—who are the first to lose out to automation.

At the same time there were some heartening points in the March figures. Nearly all the drop in unemployment was in the important wage-earner category, men 25 years and older. And there was a "significant" upturn of 150,000 in factory workers.

The mixed blessings of the unemployment count were hardly noted by the union officials—they talked almost exclusively of a resumption of full production with an unemployment level higher last month than in any other March since World War II except for the recession month last year.

They countered the quickly-got-out federal figures with a rally theme that "unemployment is a problem of people . . . not a mere statistic."

II. The Buildup

Days before the unemployment figures were due and the rally was to come off, both the Administration and the AFL-CIO were involved in political moves and counter-moves to enhance their positions.

A week before the rally, Meany asked the Administration to release the employment-unemployment figures a few days earlier than usual to give the labor conference some fresh numbers to study. Meany added that even if the figures showed a "substantial drop" it would still mean "serious unemployment."

• **"A Gratifying Report"**—Commerce Secy. Lewis L. Strauss replied he'd be glad to release the figures the day before the rally. Then, on Monday, two days before the rally, Labor Secy. Mitchell took the jobless figures to the White House. Pres. Eisenhower said he was "gratified" with the March outlook. Strauss followed up with an account of surprising economic recovery in March.

Strauss reported that business generally was "much better than was anticipated at the start of the year."

The next day, Tuesday, the Labor Dept. held an unprecedented press conference to announce the latest employ-

ment-unemployment figures. Mitchell told reporters:

• Employment in March reached 63,828,000—a net rise of 1,106,000 jobholders, 511,000 in agriculture.

• Unemployment dropped 387,000 to 4,362,000 for the month. Seasonally adjusted unemployment was 5.8% of the civilian labor force, as compared with 6.1% in February, 7% in March, 1958, and a recession high of 7.6% last August.

Meany commented a few hours later that "despite the ballyhoo," the latest government reports show "no appreciable improvement in the over-all picture. . . . Well-staged propaganda announcements will not solve the problem or bring relief to . . . unemployed workers and their families."

The federation head said that the drop in unemployment in March was mostly seasonal. According to his figures, seasonal factors alone would have caused a drop of 300,000 to 325,000 in jobless totals—indicating a "real gain" of 62,000 to 87,000 for the past month.

III. The Followup

Once the current clamor dies down, debate on the unemployment issue will shift to Congress.

The House Ways & Means Committee this week opened hearings on proposed federal standards for unemployment benefits. Labor Secy. Mitchell, scheduled to appear as the first witness on Tuesday, declined at the last minute. He said "pressing business" prevented an appearance at this time.

Mitchell would have been asked whether he favors federal standards—something he is said privately to favor but that he says publicly he would oppose before Congress.

AFL-CIO officials were hoping to get Mitchell on the record on this issue before he appeared as a rally speaker on Wednesday.

• **Report on Federal Standards**—Mitchell's tripartite advisory committee reported early this year in favor of requiring states to comply with a federal standard calling for 50% of weekly take-home pay for at least 39 weeks. The standards are in line with labor's ideas of what jobless-pay programs should include. Businessmen on the Mitchell panel opposed the federal minimums and the Labor Secretary has never commented, in public, on the report.

AFL-CIO's other legislative plans for producing jobs include substantial aid to depressed areas; government expenditures for housing, roads, schools, and other construction; a 35-hour week to spread-the-work; and a minimum wage of \$1.25 an hour. **END**

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As the Kohler Strike Drags On . . .

Picketing (picture) goes into its sixth year at the Wisconsin plumbing equipment plant. It has little effect now.

United Auto Workers pickets this week began the sixth year of their patient, ineffectual vigil at the gates of the Kohler Co. plumbingware plant at Kohler, Wis. Their strike that began on Apr. 5, 1954, is continuing—technically. But, nearly half of the 3,300 who walked out are back in the plant; Kohler is operating “normally and profitably” with replacements, it says.

• **Demonstration**—One work-day last week, UAW Local 833 mobilized “loyal” strikers for a fifth anniversary demonstration. Its goal was the legal limit of 200 pickets—25 at each of eight gates—set by court injunction after massed pickets blocked plant entrances early in the walkout. The local fell short of its goal, but 75 pickets made a lusty show of UAW militance.

There were jeers and catcalls, but no violence, as the day's production force went to work. Kohler reported about 3,000 entered the plant. The union said that the total was closer to 2,200.

After the demonstration, the picketing returned to what is normal now: A token picket force of four men at three main gates. At each, one man walks up and down with a small sign announcing “UAW Local 833 on Strike” while the others hole up in a parked car, playing schapkopf, reading, or just talking while they wait for their turn at the gate.

• **Plant Busy**—The strike shut down the Kohler plant for 54 days in 1954. It has been operating since then without interruption. The company now employs more than 2,500 persons. UAW admits that nearly 1,400 of them are former strikers.

According to Lyman C. Conger, chairman of the company's negotiating committee, UAW's strike “no longer has any effect whatever as far as the plant operation is concerned.” Among other things, he says:

- Production per man-hour is “up very much.”

- There is high morale in the plant.

- Although there now is “no bargaining agent, no union, in the plant,” workers have got 30¢ an hour in wage increases since 1954.

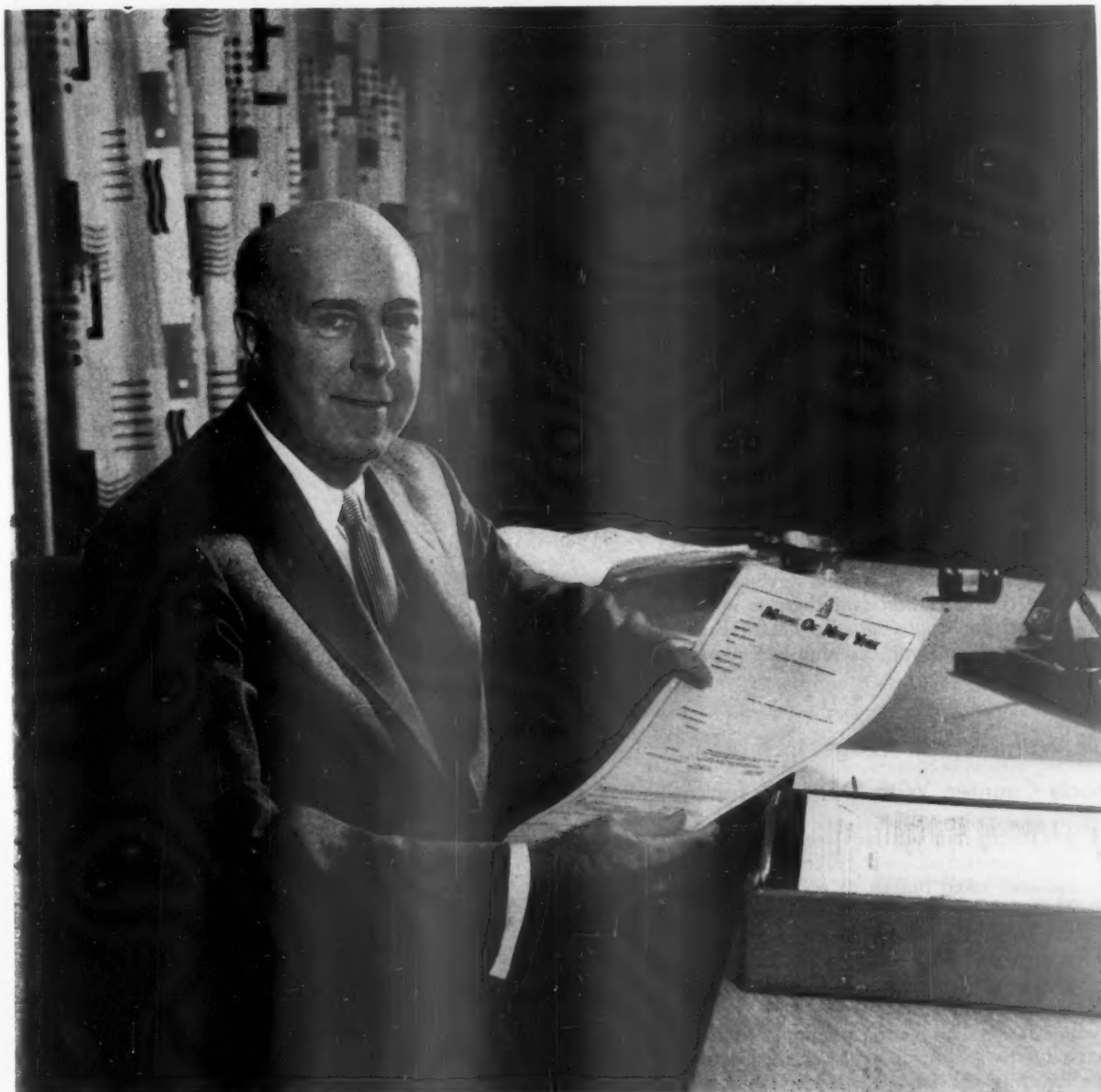
- Even so, profits are better now than before the strike, and there has been “no year, since the strike began, in which the company has lost money.”

- This is despite a labor-supported boycott that “has not hurt the company's business at all,” Conger contends.

- **Union Disagrees**—UAW doesn't agree that its “Don't Buy Kohler” boycott hasn't hurt the company. Leo J. Breirather, spokesman for the Local 833 strike committee, says: “We feel that we've cut production in half through our boycott, compared with what the company should be doing. Besides, the company is offering big discounts.”

The local criticizes the National Labor Relations Board for allowing UAW charges against Kohler to go undecided for so long.

An NLRB trial examiner recently urged quick action by the board to win the long and hard-contested case. But Conger believes the end of the strike is still at least two years away because, no matter how the NLRB decides the Kohler case, a fight right up to the U.S. Supreme Court appears inevitable. **END**



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In Labor

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Chances of Minimum Wage Boost Are Fading, Despite Union Pressure

Labor still hopes for an increase in the minimum wage level this year, even though the Administration and Southern Democrats oppose any raise from the present \$1 an hour. However, unions concede that they face an uphill fight.

Labor Secy. James P. Mitchell recently dashed labor's expectation of Administration support for at least a \$1.15 minimum. The Secretary told Congress that "a careful study by seasoned and mature economists" indicated that an increase at this time would cause new unemployment and price rises harmful to the economy (BW-Mar.21'59,p122).

AFL-CIO took angry exception to the Mitchell recommendations. In letters to Vice-Pres. Richard Nixon and Speaker of the House Sam Rayburn, Pres. George Meany of the federation said there is not a "shred of justification" for opposing a higher minimum on the basis of the Labor Dept. economists' 700-page report.

• • •

Rail Workers Ask Wage Increase, Roads Counter With Demand for a Cut

The nation's railroads last week rejected demands of engineers, conductors, and brakemen for a 12% wage increase—and asked unions to accept a 15¢-an-hour pay cut. The unions refused this counter-demand.

Initial bargaining under the Railway Labor Act was carried on individually by carriers and the Brotherhood of Locomotive Engineers, 50,000 members; the Order of Railway Conductors, 30,000; and the Switchmen's Union, 18,000. The real negotiations ahead will be conducted jointly by major roads, regionally or nationally.

In rejecting the labor demands, the roads said that payroll costs would rise \$20-million a year for every penny added to workers' wages. They estimated that the raises asked by the unions would range from 23¢ to 50¢ an hour for each of the three.

• • •

Effect of Innovations Watched As Macy's Signs New Contract

A two-year agreement negotiated last week between Macy's New York and Local 1-S, Retail, Wholesale & Department Store Union will add \$3-million to the department store's labor bill over the contract period, according to industry and union estimates.

The pact provides a \$5 wage raise—\$3 retroactive to Feb. 1 and \$2 next year. The store's starting wage is up to \$46 from \$42, and the worker reaches \$50 a week in six months.

Retailers will watch Macy's to see how several new clauses in the contract work out in practice. One allows the union to challenge extra duties assigned to employees and to take the dispute to arbitration. Another provides that if budget cuts are instituted on low-rated jobs, workers are guaranteed against loss of pay for 60 days.

• • •

Allis-Chalmers Talks With UAW Joined By Feinsinger as Private Mediator

Nathan Feinsinger, one of the nation's top labor arbitrators, this week met with negotiators for Allis-Chalmers Mfg. Co. and United Auto Workers in a mediation effort as a strike at the company entered its 10th week.

Feinsinger, a University of Wisconsin law professor and permanent umpire for General Motors Corp., entered talks Monday at the joint invitation of the company and the union. He is acting as a private mediator—the same role he took in helping A-C and UAW to a settlement that averted a walkout in 1955.

The union last week offered to end the strike of 14,000 members at eight plants if the company would agree to arbitration of unresolved issues by Feinsinger. The company suggested that he be asked to join talks as a private mediator, and the union concurred.

After an exploratory meeting Monday, Feinsinger said a number of "very difficult" issues were involved. Toughest of these are noneconomic and are of long standing, he said.

At midweek, Feinsinger was supervising central negotiations, and three federal mediators were handling meetings with eight local units. At Feinsinger's suggestion, local negotiations were moved this week to Milwaukee, where central talks are being held.

The chief stumbling block has been disagreement over the extent to which agreements governing different plants should be uniform. The union sought a master contract; the company insisted on separate bargaining.

• • •

Pickets Can March After Lost Election If Goal Isn't Recognition by the Boss

The National Labor Relations Board last week ruled that picketing by a union after it loses a representation election is permissible under Taft-Hartley, provided that the objective is not recognition by the employer.

Some fear the ruling might give unions a legal loophole if bans are enacted against "blackmail picketing," a term that has included union picketing of an employer after a lost election. In an earlier NLRB case involving Curtis Bros., the board held that such picketing is an unfair labor practice in violation of Taft-Hartley.

The new ruling stems from a trial examiner's finding that International Brotherhood of Electrical Workers picketing of WKRG-TV in Mobile, Ala., was solely to protect its bargaining position with competing stations in Mobile. Union recognition was not an objective, said the examiner, therefore, the picketing was legal. The NLRB three-man panel concurred.



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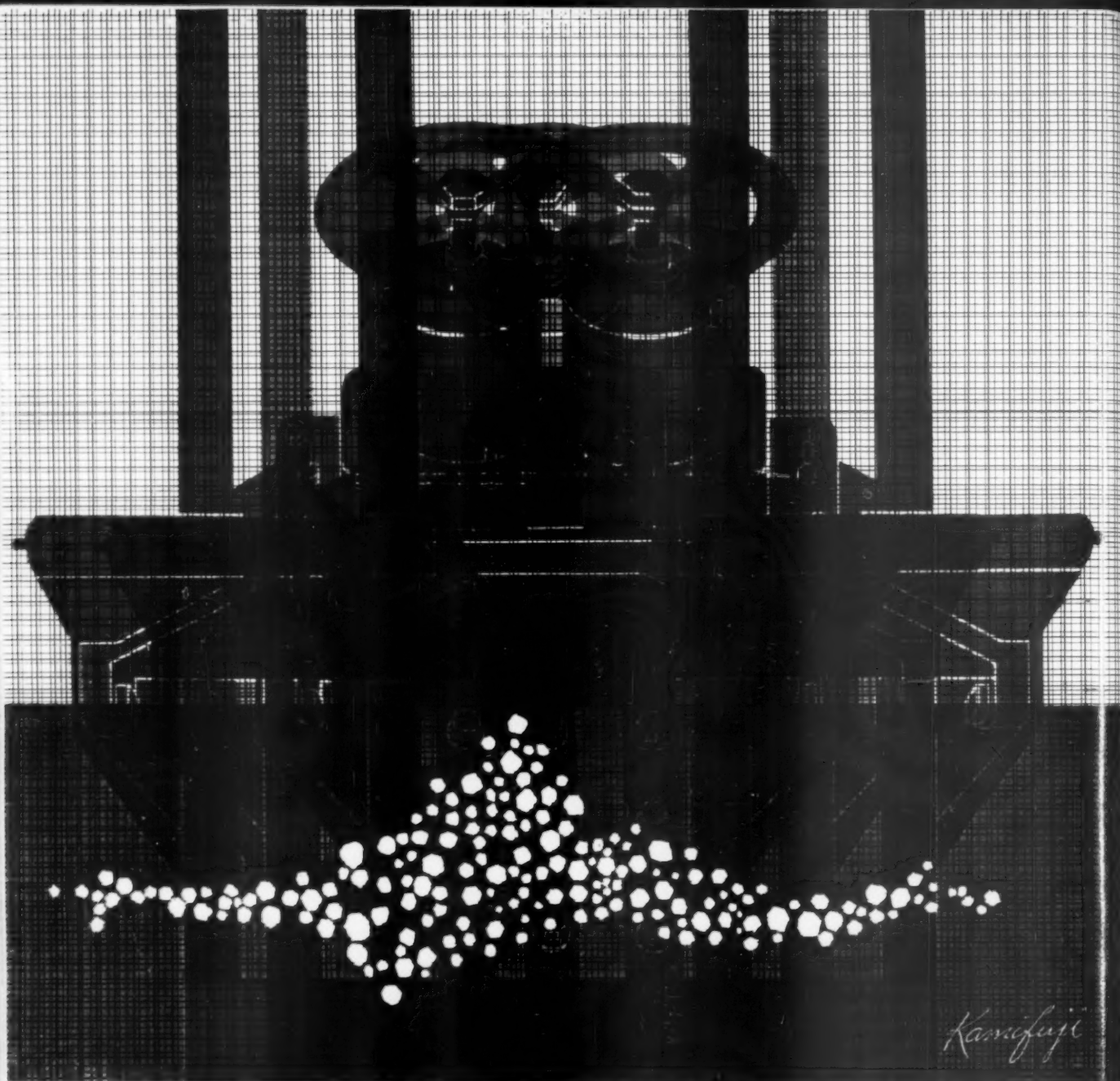
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PERSONAL BUSINESS

BUSINESS WEEK

APR. 11, 1959



More businessmen are discovering the pleasures—and financial soundness—of collecting rare antiques classed as art objects. Sales of these are booming. Auctions in New York, London, and Paris during the past season brought in more than \$28-million.

If any of your friends is a collector, he'll tell you what a really satisfying experience it is to search out and put together a collection of fine pieces, quite aside from the practical investment they represent.

Apart from paintings, sculpture, and porcelains, three categories of art objects in fine woods and precious metals are popular today:

- **18th Century French furniture from the Louis XV or Louis XVI periods.** These pieces represent an unusual combination of luxury, craftsmanship, and durability. The most valuable ones usually are signed (BVRB, Roentgen, Riesner, Weisweiler), but be on the lookout for forgeries. Some original stamps used to indent the maker's name are still in existence.

- **18th Century English furniture.** Like the French, the pieces are small and adaptable to modern living. Some sources report that the "greatest business" is being done by dealers in 18th Century English furniture, but others say the French antiques are the most sought after.

- **Early English silver.** This favorite of collectors has its own built-in evidence of age and origin through centuries-old hallmarks. Rising sales have caused values to almost double in five years. But here again, you can't rely on hallmarks unless you're an expert; some might be forgeries.

From the investment standpoint, these figures will give you an idea of how the value of some of these articles has appreciated since 1954: A Queen Anne silver piece, from \$1,000 to \$2,500; 18th Century English flat-top pedestal desk, from \$2,200 to \$4,000; 18th Century French small secretary by Piret from \$9,500 to \$16,000.

New York continues as this country's antique art center, with Parke-Bernet one of the leading galleries. Abroad, the most important markets and galleries are London (Sotheby & Co. and Christie's), Paris (Charpentier), Amsterdam (Paul Brandt), and Rome. Currently, there's widespread interest in the five-session auction starting May 13 at Parke-Bernet where the late Thelma Chrysler Foy's art collection, noted for its 18th Century French cabinetwork, will be sold.

Surprisingly, you'll probably find higher price tags on pieces in their countries of origin; quite often it's possible to buy an English or French piece in the U. S. for less than you would pay abroad. That's because many collectors try to buy the pieces they want in the country in which they were produced, on the theory they'll be more apt to find them there. But this makes the bidding more competitive. So many people, for example, go to England to buy English silver that London dealers are again importing the silver from collectors in other countries to meet the demand. Today's increased travel speed, however, is causing prices to level out between the world's major markets.

But whether you are purchasing "objets d'art" here or in Europe, it's best to buy only at a reputable dealer's or with the advice of one. And most dealers are only too happy to have you browse through their shops—an enjoyable way to get away from office pressures for an afternoon.

While many collectors purchase most frequently from dealers, attending the world's famous art auctions is relaxing—and educational. But at the fine galleries, where many private collectors gather, you probably shouldn't bid for anything very costly without prior knowledge.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

APR. 11, 1959

If you're unable to attend an auction and are interested in an offering, you can submit your bid by mail or leave it with a gallery attendant. Also, occasionally, a dealer will represent you, although some will not do this. If one does, and authenticates and evaluates a piece, the fee might range from 5% to 20%. If an object has a \$1,000 evaluation and is bought for you, say for \$500, usually the difference is split by you and your dealer.

For keeping up with the world of antique art, you'll find it helpful to peruse such magazines as *Connaissance des Arts* (with English translations), *The Connoisseur* (an English publication distributed in the U. S.), *Antiques*, an American periodical, as well as Parke-Bernet's monthly bulletins.

And now you can get information on art markets—auction prices, private sales, and trends, through a newsletter that has just made its appearance. Write for a complimentary copy of "The Currency of Art"; French & Co., 978 Madison Ave., New York 21.

New York's International Auto Show (page 24) gives an eye-catching picture of the newest imports—including a wide range of off-beat vehicles. Here's a quick rundown of some of the new items:

For the road. The DAF, small 4-passenger sedan; 2-cylinder, 22 hp; 40 miles per gal.; automatic clutch-transmission is the new feature. The Dutch model has a typical small car look (Daf of Holland, \$1,589). The Wartburg, convertible; 3-cylinder, 37-hp.; looks like an old-fashioned touring car with top down (Eisenacher of Germany, \$2,099). Skoda, convertible; 4-cylinder, 50 hp.; 32 miles per gal.; small sleek, simple body design (Czechoslovakia, \$2,400)—the only Iron Curtain import at the show.

The Nobel 200, tiny 4-passenger car with a body something like an airplane cabin; 60 miles per gal.; cruises 50 mph. (Bristol Aircraft of England, \$1,085, or \$895 in a do-it-yourself-kit). Prince Skyline, 5-passenger sedan; 4-cylinder, 80 hp.; looks like a small copy of an American car—even to details (Fuji, Tokyo, \$2,300). The Asardo, combination sports-racing car, 2-passenger; streamlined capsule; 135 hp.; 135 mph.; only new American make; plan to build 200 a year (Asardo, North Bergen, N. J., \$5,875).

For safety. Moretti Spyder, 2-passenger convertible with pop-out windshield and rear window in case of crash; double-thick steel body (Moretti, Italy, about \$3,000).

For country estates. Land Rover, rugged heavy-duty station wagon; seats 10; 4-cylinder, 77 hp.; has Army-like toughness (Rover, England, \$3,775). Lambretta Firefly, 3-wheel 8½-ft. fire truck; all chemical equipment, plus extension ladder (Lambretta, Italy, about \$3,000). Daihatsu, 2¼-ton dump truck, elevator; single front wheel; 2-cylinder, 45 hp.; strong and maneuverable (Daihatsu, Japan, about \$2,800).

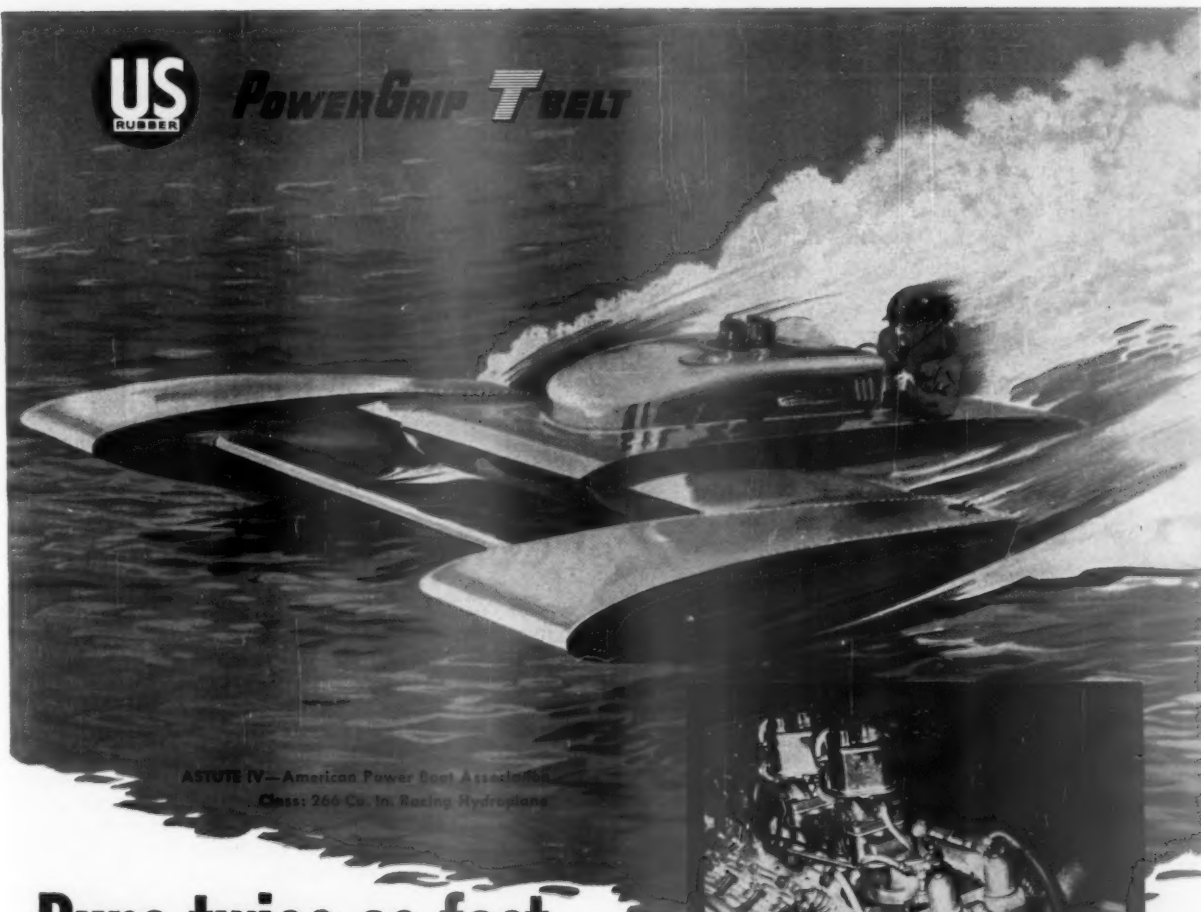
For hunting and fishing. Tempo Matador, living unit; 20-ft., front wheel drive; sleeps 4, plus dining and many accessories; comfortable and maneuverable in rugged terrain (Tempo Matador, Germany, \$9,800).

For youngsters. Model T Torpedo, half-scale 1910 model-T Ford; 3-hp.; 10 mph.; mower-type gas engine (Arnold-Dain, Mahopac, N. Y., \$375).

The "junior executive" in your family may get an idea or two from a small but searching volume just out, "How to Become a Top Executive," by British author Harold Whitehead (Nelson & Sons, \$3.50).



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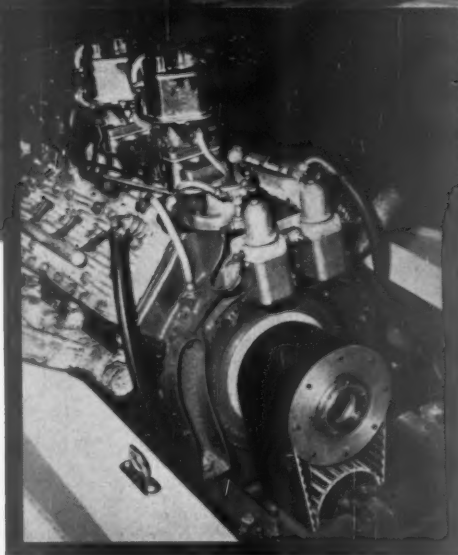
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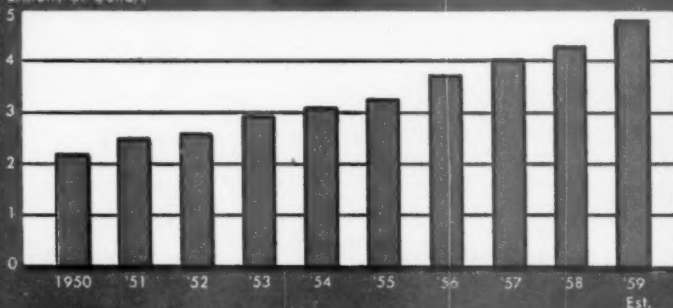


BUSINESS WEEK
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CHARTS OF THE WEEK

Total Electrical Work

Billions of Dollars



Data: Electrical Construction & Maintenance.

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Electrical Construction Mounts

Expenditures for electrical construction, installation, modernization, and maintenance have more than doubled since 1950 and industry experts expect them to approach the \$5-billion mark in 1959.

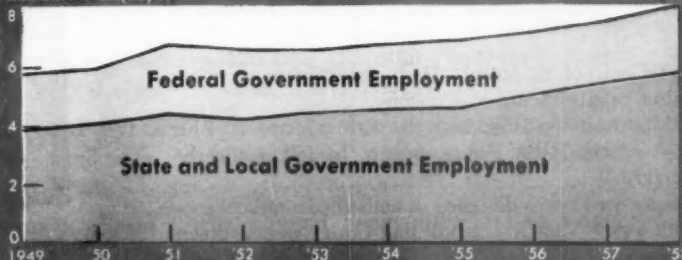
An increasing share of the construction dollar is going into electrical work to accommodate the growing electrical load in homes, factories, offices, stores, and institutions. Ten years ago, electrical work took 5.5% out of each new

construction dollar; in 1959, its share will be 7.2%.

Modernization of existing facilities is another rapidly growing market as more and more businessmen and home owners become aware that present capacity is insufficient to handle load requirements for new equipment. Advanced concepts in lighting design are attracting much attention, not only from an efficiency standpoint, but also for decorative effects.

Growth of Civilian Government Employment 1949-58

Millions of Employees



Data: Bureau of Labor Statistics.

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Growing Tribe of Civil Servants

During the past 10 years, the ranks of federal, state, and local employees have increased by more than 37%. In 1958, almost 13% (one in every eight) of the total employed civilians in the U.S. were on some government payroll, compared with 10% in 1949.

Biggest growth was in state and local governments where jobs have increased more than 51% since 1949, from 3.9-million to 5.9-million. Federal jobs

went up 26% during the same period, from 1.9-million to 2.4-million.

What do all these civil servants do? Well, more than 30% are employed in education—teaching, administering, and otherwise servicing public schools from kindergarten through college. Almost 15% are engaged in national defense; hospitals and health services account for more than 9%; some type of administrative service is provided by 7%; postal

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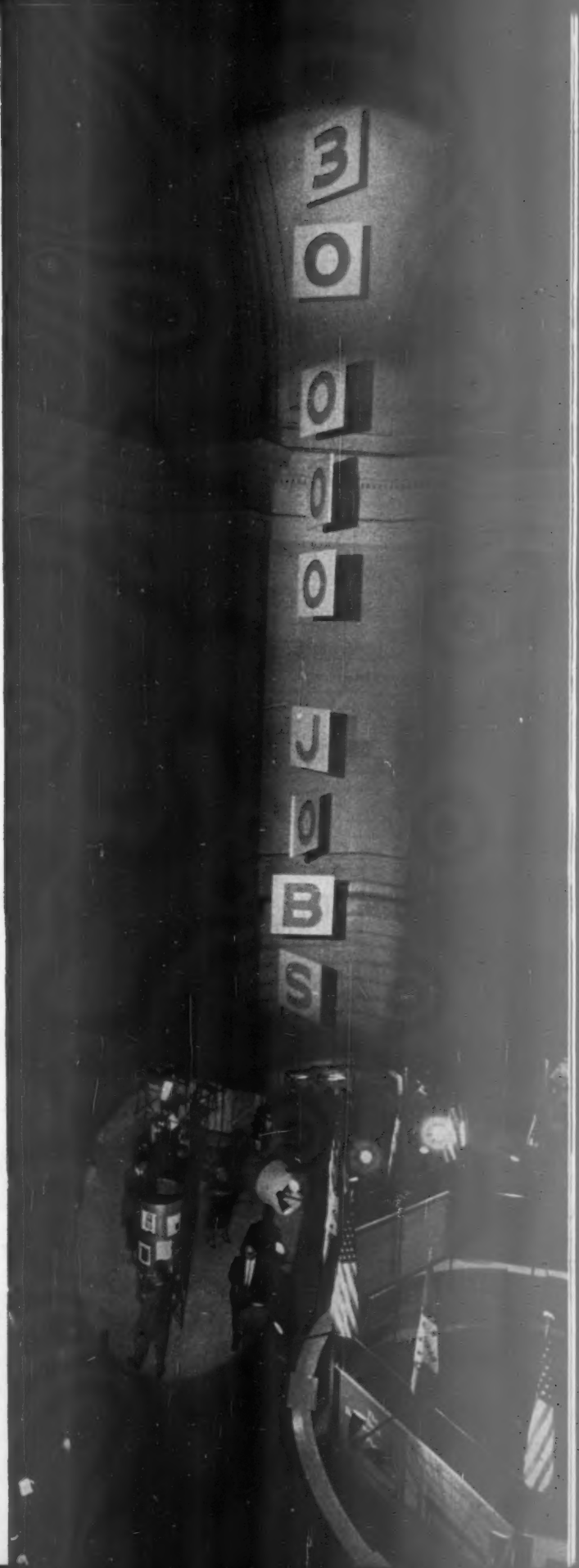
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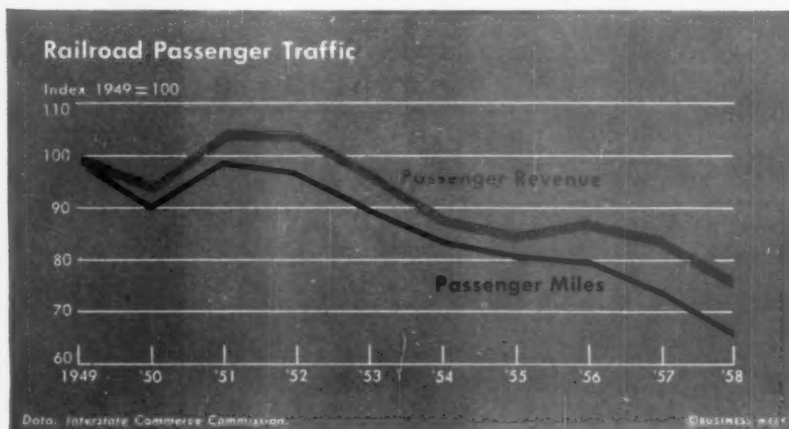
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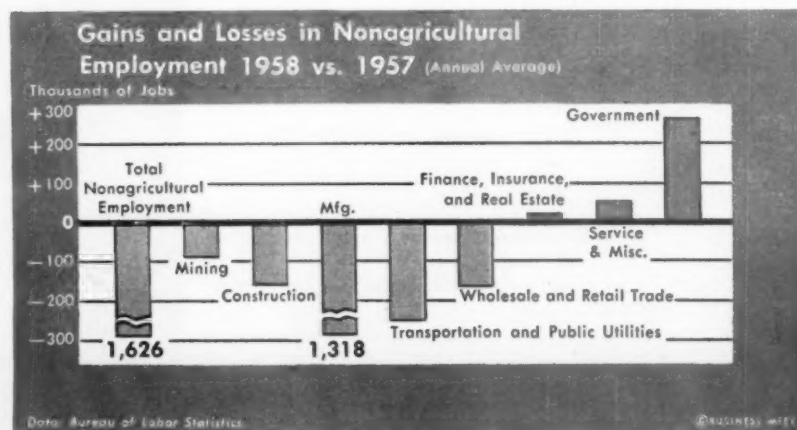
Travelers Desert the Rails

Two reasons why railroads are so unhappy about their passenger traffic: During the past 10 years, they have suffered substantial losses in both passenger miles (down 34% from 1949) and passenger revenue (down 22% despite fare increases in some areas).

In passenger miles, 1958 was the seventh consecutive year of decline in passenger traffic and the poorest year for railroads since 1939. A 10% loss

occurred in the past year. Most of the decline has been in other-than-commutation traffic where railroads are getting stiff competition from airlines (which get there faster), buses (which get there cheaper), and private automobiles.

Interstate Commerce Commission data show that the railroads' share of intercity passenger traffic diminished 35% since 1939—from 65% to 30% in 1958.



Factory Jobs Take Steep Plunge

Nonagricultural employment dropped 1.6-million jobs last year, of which more than 81% (1.3-million) were in the manufacturing industries. This was the biggest year-to-year drop in nonfarm employment since 1938, when it fell 1.8-million from 1937.

Here's what happened in other major industries: Transportation and public utilities lost 247,000 jobs; retail and

wholesale trade, 166,000; construction, 160,000, despite building surge in the last half of the year; and mining, 89,000, continuing a downward trend started in 1949. On the brighter side, employment in services and miscellaneous industries was up 60,000; and finance, insurance, and real estate added 27,000. The biggest increase was in government employment, which rose 267,000.

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Perhaps no medical development was ever so eagerly awaited as the vaccine against polio or infantile paralysis.

But when the vaccine was perfected and supplies became plentiful, a strange thing happened. Millions of Americans failed to take it—or neglected to get the three injections needed for their protection.

In fact, more than 35 percent of our people under age 40—the period when most cases occur—have not had any shots; only half have had the full series. *Of the pre-school children who are most susceptible to the disease, nearly one-third have not been vaccinated at all.*

To help correct this situation, the U. S. Public Health Service, the American Med-

ical Association, the American Academy of Pediatrics, the American Academy of General Practice and The National Foundation (for Infantile Paralysis) are spearheading a drive for the conquest of polio.

You can strike a blow against polio!

If you have children, now is the time to provide them with protection—well in advance of the polio season which is at its height during hot weather.

Three injections—properly spaced by your physician—are 85 to 90 percent effective against paralytic polio. If your children completed their series of three injections a year or more ago, ask your doctor about a fourth “booster” shot at this time.

Remember, it is especially important to

protect children under age five. Polio injections can be started as early as six weeks of age.

If you are under 40, see that you, too, are vaccinated. Polio isn't limited to children. Although it rarely strikes adults, it is usually severe when it does occur.

So, you could do no wiser thing than to call your physician or clinic *now*—and arrange for your family's injections.

If we all act immediately, we can face the summer of 1959 with the bright hope that there will be no polio epidemics!

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Depreciation Reform—

Why Industry Needs A Modern Tax Policy

A shockingly large proportion of our industrial plant and equipment is obsolete. As indicated by an earlier editorial in this series, over \$95 billion would have to be spent—and spent soon—to bring our industrial facilities up to the best modern standards. Yet plans for 1959 call for little more than \$30 billion of actual spending—barely enough to make a start on this backlog of modernization.

At the heart of the problem of obsolescence is a federal tax policy that discourages business from replacing inefficient facilities. It is the purpose of this editorial to spell out a tax reform Congress can make this year—with little cost in terms of tax revenue—that would go a long way toward removing the barrier to modernization of plant and equipment. This reform is a more realistic system of tax deductions for depreciation and obsolescence of productive facilities.

A Barrier to Modernization

Industry abounds with examples of old and obsolete facilities—despite large expenditures made in the past few years. Two-thirds of our metalworking equipment is over ten years old. Over half the capacity of our chemical process industries was installed before December 1950. Only a minor fraction of our railroad freight moves in new freight cars or the new push-button freight yards.

The tax law bears a large part of the responsibility for this lag in modernization because of its important influence on business investment in plant and equipment. For many years the tax law has permitted as a deduction from income “a reasonable allowance” for wear and tear and obsolescence of productive facilities. These annual deductions affect business investment in several ways.

- They are the way a company recovers its investment in plant and equipment.
- They determine in large measure, the amounts of money that are spent each year to replace and modernize facilities.
- Furthermore, the schedule for depreciation often determines **when** a specific machine or building is actually replaced.

The law requires that depreciation deductions be spread over the “useful life” of a building or machine. But the periods of useful life for tax purposes today still depend heavily upon tables drawn up by the Treasury almost 20 years ago. These tables reflect the replacement practices of depression years. Also, they were compiled at a time when the pace of technological progress in industry was much slower than it is now. **For nearly all types of equipment the indicated period of useful life is longer—sometimes much longer—than most experts consider realistic at today’s rate of technological advance.**

The result of these outmoded depreciation schedules is that the recovery of investment is dragged out, and the replacement of obsolete equipment is delayed.

In The Right Direction

Congress should establish, by law, the right to use shorter depreciation periods on productive equipment. It should do so in a way that would free industry from obsolete concepts of the rate of technological change and would provide incentives to install new equipment and produce new products.

The tax reform act of 1954 made some progress in this direction—but not enough. It introduced new methods for calculating depreciation—the declining balance and the sum-of-the-years' digits—which enable a business to recover most of the investment in a new facility in the early years of its useful life. However, these new methods do not accomplish their desired purpose when the supposed "useful life" is still an unrealistically long period of years.

Industry is by no means free from blame for the failure to bring depreciation policy into line with the needs of a modern, growing economy. According to Joel Barlow, president of the Tax Institute, "management has largely ignored the Commissioner's invitation . . . to come into the Internal Revenue Service office and make a case for shorter depreciable lives by establishing technological obsolescence."

The failure of many companies to see their own interest in more realistic depreciation not only holds them back from modernizing their own facilities but also lends support to the Treasury in its continued adherence to an out-dated policy.

A Suggestion For Reform

An excellent model for reform of the depreciation policy in our tax law is the system used successfully in Canada for a decade. In Canada, all productive equipment may be depreciated at relatively fast rates assigned to each of 14 broad categories. The Canadian system permits depreciation up to twice as fast as the antiquated tables of useful

lives now followed in the U. S. It also gives the individual business far greater flexibility in determining depreciation schedules that fit its own needs and experience.

For example, in the category or "bracket" covering general machinery a taxpayer in Canada may depreciate up to 20% of the machine's value annually, on a declining balance basis. In the U. S. the fastest rate at which many types of machinery can be depreciated is only 10%. In other categories, from tools and dies to buildings and pipelines, the Canadian system also allows faster depreciation and provides greater incentive to invest in new facilities.

The cost of this reform in terms of lower tax revenue would be small—probably less than \$500 million in the first year. And even this would merely be postponed, not permanently lost. Indeed, there is a very good prospect that tax revenue would not suffer at all. The increase in spending for new plant and equipment resulting from this tax reform would mean an increase in wages and profits—and therefore in taxes—in industries that produce machinery and other capital goods.

A realistic tax policy on depreciation would provide a badly needed incentive for industry to replace obsolete and inefficient facilities with up-to-date plants and equipment. It would step up our rate of technical advance and economic progress. And it would put U. S. industry in better shape to meet the growing competition from other countries that have grasped the advantages of fully modern technology.

This message was prepared by the McGraw-Hill Department of Economics as part of our company-wide effort to report on opportunities for modernization in industry. Permission is freely extended to newspapers, groups or individuals to quote or reprint all or part of the text.

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General Electric Co., Large Lamp Dept. C-908, Nela Park, Cleveland 12, O.

In Production

• • •

Post Office in Providence Will Be The Last Word in Mechanization

Construction began last week on a \$20-million working postal laboratory in Providence, R. I., designed to be the country's most fully mechanized post office. The two-block-long facility will be a continuing lab for trying out and adapting the latest sorting and conveying equipment into an efficient and swift mail handling system that can be duplicated in other major post offices.

Within the next two years, 11 post offices, starting with Denver and Detroit, will be made over completely into modern, semi-automated plants, and another 15 will get extensive mechanization.

Letter-handling equipment slated for use in the Providence post office includes machines that automatically separate, stack, cancel letters.

All processing operations will be directed from a control tower 26 ft. above the floor, giving supervisory personnel a chance to keep tabs on things and to exercise pushbutton control of operations.

The new Providence post office even will make things easier for the customers by providing two drive-in windows. To make its own transport easier, it's next to main line rail facilities and will have an adjoining heliport—20 minutes from the city airport—and lube facilities for its trucks.

Intelix Systems, Inc., an International Telephone & Telegraph subsidiary, is building and equipping the post office, which is scheduled to go into operation late next year.

• • •

Ceramic Coating on Engines Helps Them to Run Cleaner

Lining the insides of diesel and gasoline engines with a ceramic coating holds promise of reducing the amount of unburned hydrocarbons spewing out the tailpipes of trucks and automobiles. The unburned hydrocarbons produce most of the irritants in an auto's exhaust.

The ceramic linings—on engine valves, piston crowns, and engine heads—also are expected to cut fuel costs and boost the engine's power. Engineers believe they will improve combustion by containing heat within the cylinder and speeding the oxidation reaction of the hydrocarbons.

In the coating process, a .004-in. lining of porcelain-like rare earth oxide and alumina, zirconia, titania mulite, and iron-titanium oxide is sprayed on the engine parts. The coatings reportedly can resist temperatures up to 5,500F and have twice the hardness of tool steel. The process was developed by the Armour Research Institute of the Illinois Institute of Technology.

The Chicago & Eastern Illinois RR, which has been testing the ceramic coatings in its diesels, reports that the engines ran remarkably clean and practically free

of all gummy deposits. It also found it could extend its lubrication oil filter changes from 7,000-8,000 mi. to 20,000 mi.

Electro-Motive Div. of General Motors also has the ceramic process under study.

• • •

GE Offers Rental Service For Specialized Instruments

A new rental program inaugurated by General Electric will put the latest—and frequently most expensive—measuring devices in the hands of researchers and manufacturers for a modest fee.

The company has set up a pool of over 13,000 instruments for its new loan service. Over 200 different kinds of instruments, capable of measuring 70 different things—heat, pressure, strain, flow, audience reaction, etc.—are available.

The instruments will be available from GE's local Service Shops & Apparatus Sales offices. Monthly rental fees will range from \$1 to \$96. For example, a de luxe oscilloscope, which costs \$1,500 new, will rent for \$75 a month.

• • •

Hydraulic Roof Support System Gives Underground Mining a Lift

A self-advancing hydraulic roof support system for coal mines, now in use in England, will be introduced in this country at the Coal Show in Cleveland next month. It is estimated that the new system could increase production as much as 100% and could help revitalize underground mining in the U.S., now hard-put to match the low-cost operation of open pit mines.

The system was developed in England by Dowty Mining Equipment, Ltd. Some observers believe it could alter U.S. mining practices by making it economical to mine out a coal seam fully. Because of the high labor cost involved in setting up supports, American operators generally have stuck to the wasteful room and pillar system in which anywhere from 25% to 50% of a coal seam is left unmined to act as a support.

• • •

Flexible Magnets for Latches

Flexible magnets of a rubber-like vinyl plastic filled with iron particles are now being produced by B. F. Goodrich for use as magnetic latches. Refrigerator and freezer manufacturers are expected to be the first to use the new magnets, but compact and cigarette box manufacturers also are interested. In refrigerators, the magnetized strip fits inside the conventional rubber door gasket, helping to insure a complete airtight seal.

The strip can be made in continuous lengths in a wide variety of shapes ranging in size from spaghetti to garden hose, and is now being produced at a rate of over 10 mi. per week.

Rejuvenating Tired Auto Parts



STARTERS Used starter drives arrive by the bucket at Van Bergen & Greener, Inc., a Chicago parts rebuilder.

The business of rebuilding old auto parts is bigger than ever as the replacement market grows with number of vehicles in use.

Automotive parts rebuilding is an industry that has grown so fast in the last few years that its members can't keep track of themselves, and it's heading for the biggest year yet.

This year's tally of business should come to several hundred million dollars for the nation's several thousand rebuilders. They range from back-alley shops to the giant rebuilding operations of new parts manufacturers such as the AC Spark Plug Div. of General Motors Corp., but all earn their keep by refurbishing used parts for the rich replacement market.

Recently, more marketing channels have been opening up for the average independent auto parts rebuilder, such as the three whose operations are pictured on these pages. Jobbers are becoming more receptive to distributing rebuilt items.

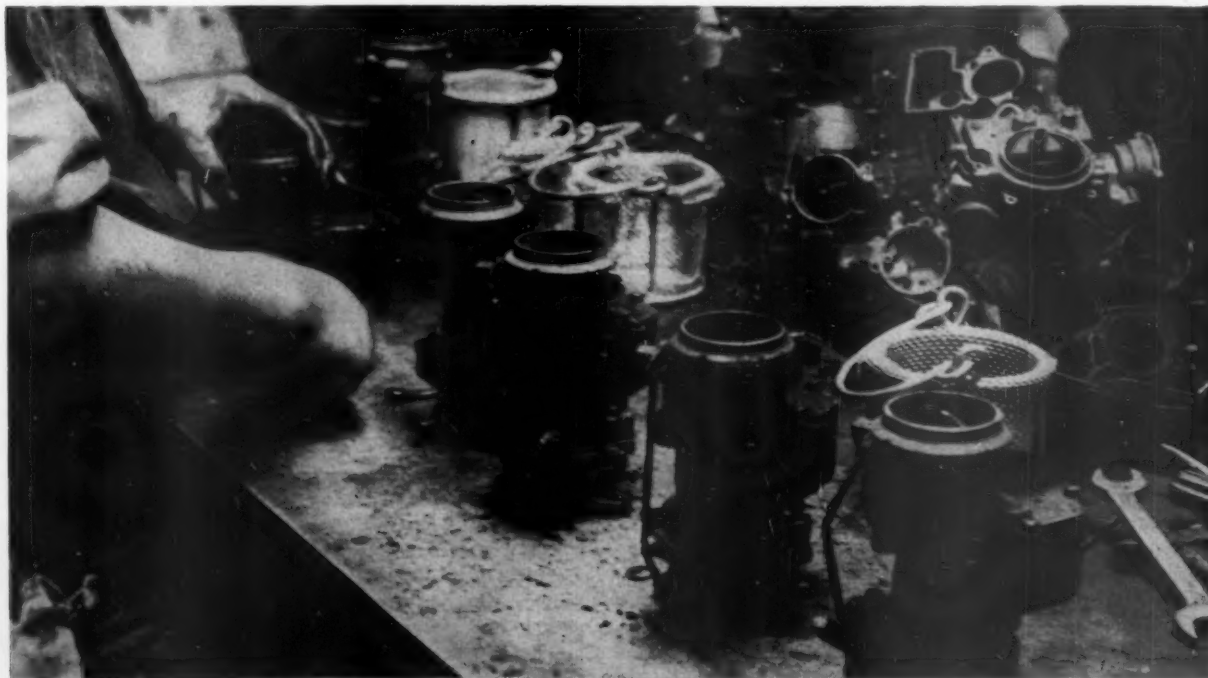
• **Rough and Tumble**—But the new markets seem to attract only that many more operators. Parts rebuilding is a hotly competitive, rough-and-tumble business—almost a classic example of

a small business, though it exists on the fringes of Detroit, a classic big business. Most rebuilders are small, doing only from \$100,000 to \$500,000 worth of business a year, though a few bring in as much as \$6-million to \$8-million. The average shop employs from 25 to 100 men.

Most of the small operators are likely to stay small. Intense competition keeps profit margins so slim that the rebuilders generally distribute only in their home territory, because they can't afford to pay freight charges. The only exceptions are a few outfits that distribute nationally through chain stores and a few others thinking about opening branch plants.

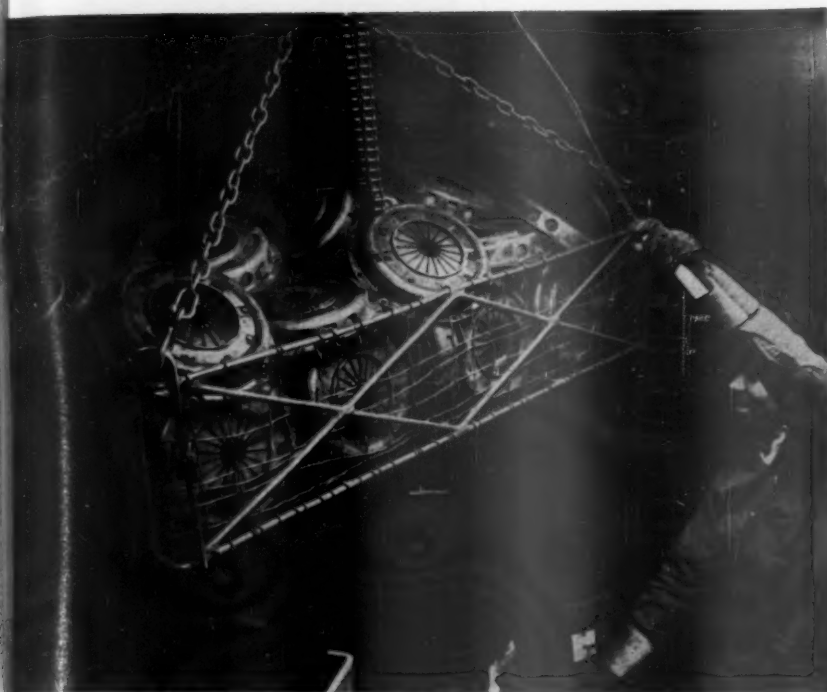
I. Why the Prosperity

A decade ago, most jobbers of auto parts and accessories looked on independent rebuilders as a scurvy lot. The suspicion was that their old fuel pumps, clutches, and carburetors came from roadsides and junkyards, and, in fact, all the rebuilding some unscrupulous operators did was to wash off the road grime. A bit of this still goes on, but most rebuilders today maintain high standards, if only for competitive purposes. The two-year-old Automotive Parts Rebuilders Assn. has a rigid code,



CARBURETORS

are torn down at Chicago's J&H Auto Parts Co. Because most rebuilders are small and not suited for automation, much hand labor goes into the rehabilitation of a second-hand part.



1. At Sachs & Co., a Chicago rebuilder, a load of used clutches is readied for a vapor degreasing treatment. Dirt is then removed by tumbling with abrasives.



2. In an ensuing step of rebuilding clutches at Sachs, surface of clutch plate is ground. Sachs, medium-size with 25 employees, rebuilds 100,000 parts yearly.

3. Rebuilt clutch gets final check and adjustment after Sachs workers put it back together again.

4. Before it can be shipped to jobber, the rebuilt clutch is balanced as one test of its quality.



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they gave me
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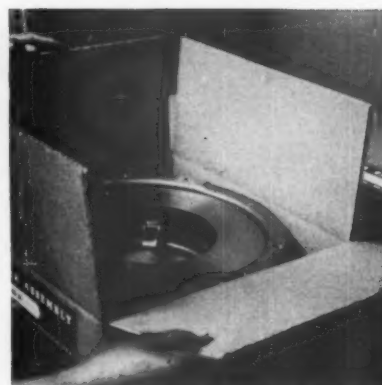
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and it has just launched a series of technical clinics for its 400 members.

The main reason for the change, of course, is that rebuilders have turned out reliable products over a period of years. They guard their newly won reputations zealously. "Before I could get jobbers to even look at my stuff," says an Indianapolis rebuilder of electrical parts, "I had to show every one of them that my tolerances varied less than the tolerances on original equipment. Now, I include a guarantee and an inspection number in each box."

Generally, such efforts have paid off. Ten years ago, there was almost no jobber business for rebuilt parts. Now about 95% of the members of the Motor & Equipment Wholesalers Assn. handle them, and rebuilds are the fastest growing sector of their sales. Last year, rebuilt parts accounted for about 10% of jobbers' revenue from parts; this year, the figure will climb to 12% — of a larger total market.

• **Lush Market**—Historically, the industry has suffered when new cars were selling well and flourished when auto makers were loafing. But this year, with sales of new autos comparatively healthy, the replacement market seems to be growing faster than ever before. Manufacturers such as GM's Delco-Remy and AC Spark Plug Divs. and the Electric Auto-Lite Co. are producing at high levels to keep up with orders in a normally slack season.

• **Changing Consumption**—There are a number of reasons for the continuing surge in demand for replacement parts. The most obvious is simply the increase in total vehicle registrations, now moving upward from 60-million. More cars mean more parts are needed to keep them moving. But the demand for parts seems to increase in geometric proportion to registrations. Apparently two-car families are keeping the older of their two buggies running longer; vast numbers of wheezing 1955 models need new innards.

Furthermore, parts today don't seem

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Photograph, from an advertisement in FACTORY, courtesy Anaconda Wire & Cable Company

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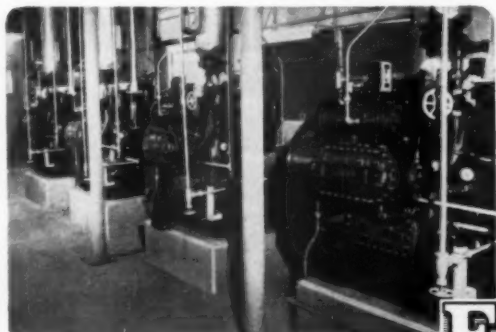
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to last so long, despite an undeniable improvement in quality. Cars are driven farther in a given period—at higher average speeds. Parts are subject to a lot more stress. A water pump on a recent model handles several times the load of its predecessors, for instance. Power equipment, improved heating systems, larger engines, and higher r.p.m.'s mean faster wear no matter what metallurgists dream up. Same applies to electrical and drive systems.

Then, too, there is a big change in repair practices. Garages, service stations, and dealers now have the attitude that it's much cheaper to replace a defective carburetor, say, with a new or rebuilt one than to fix it. With higher labor rates and the increased complexity of parts, they are well justified in this view, as long as low-cost replacement parts are available. Generally speaking, auto dealers still tend to use new parts as replacements. But about 75% of parts sales through garages are now rebuilds, compared with less than 20% five years ago.

• **Rebuilt Prices**—No matter how good the rebuilding job, rebuilt parts sell for far less than new units. A Chevrolet generator, for example, sells at jobber level for \$6 rebuilt and \$34 new, assuming trade-in of an old unit in both cases. A rebuilt carburetor sells for \$14.50, a new version of the same model for \$44.95. On a water pump for the same car, a rebuilt sells for \$3, compared with \$9 for a new one.

Though it's hard to generalize, most rebuilders sell their product for about five times what they pay for the old part. Sometimes these parts come from wreckers, strippers, and scrap houses. Mostly, though, they are obtained from regular suppliers—who get their parts from wreckers or, in many cases, from trade-ins. About 80% of parts sales in garages involve trade-ins, but only 80% of these parts can be reclaimed.

II. How a Rebuilder Works

When parts come in from a supplier, the rebuilder first sorts them by types, so that his crew can make a run of a few hundred to a few thousand on a particular model. Then the cleaning process begins. The first step is to use a vapor degreaser, not to remove the dirt but to take the sticky grease out of it. Various chemical grease removers have been tried without success.

To remove the dried dirt that remains, chemicals must be used for delicate parts such as carburetors. But most parts are cleaned by tumbling in a barrel with abrasives. The tumblers, costing \$8,000 to \$10,000, are a heavy investment for small rebuilders, but in the long run they do the job better and more cheaply than chemicals.

• **Hand Labor**—From here on, the



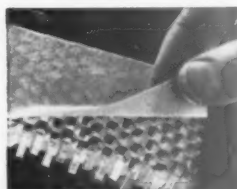
THREAD-THIN contact is all that's required to bond the open end of the thimble. The adhesive used here holds fast at over 5000 psi in overlap shear (aluminum-aluminum); makes load-bearing honeycomb sandwich structures practical.

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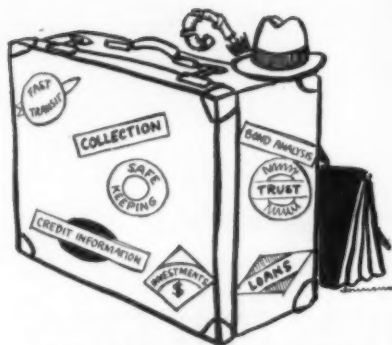


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work is done by hand. Using pneumatic or electric tools, workers take the parts apart and rebuild them. Finally, they are plated and repackaged in a shiny box, just like new. Most shops have rigged standard equipment such as adaptors and jigs for use with each kind of part. Some have devised testing systems so ingenious Detroit engineers have come to look at them.

Rebuilding shops are too small to be suited to automation. So, to increase efficiency, operations are specialized. One Chicago shop has speeded things up by coloring parts, so that they can be identified more easily.

• **Wage Woes**—One of the biggest problems of the rebuilding industry is the variation in wage rates. A large Chicago rebuilder comments: "Southern rebuilders have knocked us out of their part of the country. Their maximum wages are often our minimum, and since there are few labor-saving methods in this business, we can't compete." A Kansas City operator adds: "The only thing that's kept the South from invading us is freight rates."

The case of Chicago's Sachs & Co. (pictures, page 141) shows how the wage problem hits a typical well-established, medium-size rebuilder. Sachs distributes to jobbers through commercial warehouses all over the Midwest, but it was driven out of the Charlotte (N. C.) market, "because of lower wage rates in some areas where our prices are higher than local rebuilders," says Walter Buben, manager of Sachs. "We might have a better-looking product or better quality . . . However, while our volume has increased every year for the last several, our sphere has dwindled—and will continue to shrink as long as present conditions exist."

Nathan Roberts, executive director of the Automotive Parts Rebuilders Assn., adds: "I can see distribution and market penetration as a growing problem for our industry. In the larger population areas, intense competition will continue to cut profits and limit expansion."

• **Changing Market**—One other ominous sign is the advent of transistor coils and regulators and alternating-current generators for autos. The AC generators, unlike the DC models now in use, have no commutators and brushes to wear out. They will last much longer than at present. Automatic transmissions are reducing the clutch rebuilding business.

At the same time, the rebuilders are finding a market for parts in fields outside autos, such as boats—where there's a boomlet for replacements. One observer goes so far as to predict: "The non-automotive demand for what have traditionally been auto parts and accessories will double the present market for replacement items by 1965." **END**

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Red China's Mask Slips Again

First Hungary and now Tibet. It is the same story and another warning to the free nations that broken pledges and brutal oppressions are the stock-in-trade of international Communism.

There is little the Free World can do to aid Tibet's fight to maintain the religious and political autonomy that Peking promised in 1951. The mountainous and fabled region of Tibet lies beyond the reach of U.S. commitments, while none of Red China's neighbors has the necessary combination of will and military power to challenge the "People's Liberation Army."

But, fortunately, the Tibetan fight for independence has exposed to the world, and especially to the Asian neutrals, the true nature of Red China's ambitions. Peking no longer will be able to use the flag of Bandung to rally support for its position among the uncommitted nations of Africa and Asia. In Indonesia, where the Bandung conference was held in 1956, there has been a bitter reaction to the Chinese assault on Tibet's religious freedom. The same is true in neutral Burma and in Malaya.

The public revulsion in India may have still deeper significance. The Lamaist religion of Tibet is one branch of Buddhism, which originated in India. For centuries, the mountains of Tibet have been India's shield against Chinese expansion. Given the concern felt in India on both counts, it is possible that New Delhi will modify its neutral attitude in the cold war. At any rate, it is hard to imagine that Prime Minister Nehru will go on talking as if there were nothing to choose between the two sides in the East-West struggle.

Even in this country, Tibet should provide a salutary lesson, especially for those people who have charged the U. S. government with a large measure of responsibility for our failure to get along with Red China. It should be clear now that only Washington's tough policy on issues such as Quemoy has held back Communist expansion in Southeast Asia.

One-Way Street

The International Auto Show in New York this week (page 24) serves to emphasize the importance of the U. S. market for foreign car makers. Despite the recession, Americans bought almost 400,000 imported cars last year, and there are predictions that 500,000 imports will be sold in 1959.

This is a remarkable tribute to the performance of the foreign products—and the tastes of American consumers. Detroit, which for so long poohpoohed the invasion, has now recognized that the public wants something besides bigger and longer, bechromed monsters, and is doing something about it.

But this invasion could not have been successful without the liberal trade policy followed by the U. S. Foreign car makers have been able to sell their wares successfully to price-conscious consumers because the U. S. tariff is relatively small; in fact, it was recently reduced from 10% to 8½%.

This freedom is not granted to Detroit. Britain, for instance, allows only 650 U. S. and Canadian cars into the country each year, under an import duty of about 30%. Italy also has a quota system, permitting only \$1.6-million in U. S. cars to be imported, and adds special taxes that bring the purchase price of a \$3,000 car to more than \$5,000. In France there is no quota, but a car that costs \$3,000 here is so heavily taxed that it sells for more than \$8,000 in Paris; in Germany, taxes amount to more than 20% on any import.

Europeans who still think of the U. S. as a protectionist country can well afford to do some thinking about these figures.

The Inequality of Equals

Just before Easter recess, Rep. Glenn Cunningham (R-Neb.) introduced a bill in the House that would exempt television and radio news programs from giving "equal time" to any and all candidates for public office.

The Cunningham bill would resolve what is obviously a ridiculous situation. It came about when the Federal Communications Commission, in a 4-3 decision, ruled that Lar Daly, a perennial political candidate for mayor of Chicago, had a right to demand equal time on the air because station WBBM-TV, in a regular news program, covered events in which the leading Democratic and Republican candidates participated.

Dr. Frank Stanton, CBS president, vividly depicted just how absurd the situation could become, if uncorrected. In the 1956 Presidential campaign, for instance, Stanton figures that to have granted equal time on news programs to all candidates "would have taken some 38 hours" between Labor Day and Election Day—"or approximately 20% more than all the time spent by all our television network newscasts on all the news."

"The Daly decision," Stanton went on, "attempts to substitute a ridiculous mathematical formula for the responsibility of news editors in handling the news of political campaigns."

At this stage, the industry is mainly concerned about the effect on news coverage. Congress should quickly clarify the issue by adopting the Cunningham bill, and it should then go on to reconsider the whole question of equal time not just on news programs but in all broadcasting.

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